

ANTICIPATED NOMINATION OF GOVERNOR TOMMY G. THOMPSON

HEARING

BEFORE THE

COMMITTEE ON FINANCE UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

ON THE

ANTICIPATED NOMINATION OF

GOVERNOR TOMMY G. THOMPSON TO BE SECRETARY OF
HEALTH AND HUMAN SERVICES

JANUARY 18, 2001



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ANTICIPATED NOMINATION OF GOVERNOR TOMMY G. THOMPSON TO BE SECRETARY OF HEALTH AND HUMAN SERVICES

THURSDAY, JANUARY 18, 2001

**U.S. SENATE,
COMMITTEE ON FINANCE,
*Washington, DC.***

The hearing was convened, pursuant to notice, at 9:30 a.m., in room 216, Hart Senate Office Building, Hon. Max Baucus (chairman of the committee) presiding.

Also present: Senators Rockefeller, Breaux, Conrad, Graham, Kerry, Torricelli, Lincoln, Grassley, Nickles, Gramm, Lott, Jeffords, and Snowe.

OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. Good morning, everybody. Today we will consider the nomination of Governor Tommy Thompson of Wisconsin to be the new Secretary of the Department of Health and Human Services.

The Secretary bears great responsibility. The Department of Health and Human Services employs over 60,000 people. It runs programs that affect virtually every American—huge programs like Medicare, which protects 40 million Americans and is at the heart of our compact with senior citizens; Medicaid, another entitlement program that serves 40 million people; the new program to provide temporary assistance to needy families.

HHS also administers many other programs that seldom make the headlines but that reflect our collective commitment to those who are suffering through hard times: day care, foster care, programs for reducing drug dependency, preventing child abuse, and domestic violence; critical programs that need a strong administrator.

But the new Secretary's job will not just be administration. Several HHS programs will be the focus of our legislative work as our committee considers important reforms.

First and foremost, we need to improve the Medicare program by providing coverage for prescription drugs. The practice of medicine has changed dramatically since Medicare was created in 1965. Today, more often than not, a trip to the doctor results in a trip to the pharmacy to fill a prescription as part of the therapy.

As we all know, drug prices are rising fact. In fact, seniors who do not have insurance coverage for prescription drugs pay the high-

est prices of anyone in the world. We need to fill this glaring gap in the Medicare program.

There are several ideas on the table. To my mind, we should take the current program as a starting point. Like any other big program, Medicare is far from perfect, but by and large it works. It works pretty well. It is predictable, beneficiaries like it, and it provides a model of universal coverage that should be our goal.

At the same time, we should be willing to consider reforms to the current program that inject more competition and improve the administration of the program. I hope that we can work together to enact a prescription drug program for all seniors, not just low-income seniors, in the next 6 months.

There are other issues, including a careful review of the Welfare Reform bill that we enacted almost 5 years ago. We very much look forward to working with you, Governor, as you are the Nation's leader in welfare reform.

In addition, we need to improve the Medicaid program and the CHIP program. We need to find ways to lend a hand to the 43 million Americans—that is, 15 percent of the population, and in Montana, almost 20 percent of the population—who do not have health insurance.

One question your new administration must answer is how we deal with the uninsured when a substantial portion of the surplus is planned to be spent on tax cuts.

One final point. I represent Montana, a rural State about the size of California but with only 900,000 people. To put it in perspective, Wisconsin has a population density of about 80 people per square mile; in Montana, it is 6 people per square mile. Not 60, 6.

This has a huge effect on the delivery of health care. I know Senator Dole understands this from his State of Kansas very well. For example, we do not have any home care at all in a three-county area the size of West Virginia.

As a result, you will hear me say again and again, Governor, a Medicare approach that works in Manhattan, Montana may not work in Manhattan, New York, or vice versa. We need creative alternatives that are sensitive to the characteristics of rural areas, like the Critical Access Hospital Program we created as part of the Balanced Budget Act of 1997.

So, in the end, Governor, I urge you all the best luck. You have a huge challenge ahead of you, and I wish you very well.

I would like to turn to my good friend, the imminent and soon-to-be eminent Chairman of the committee, Senator Grassley.

OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM IOWA

Senator GRASSLEY. Thank you very much, Mr. Chairman. Before I give my statement, I need to associate myself with particularly the latter part of your remarks about the delivery of rural health care and remind everybody that the working relationships that we have had on rural health care as individual members of this committee will continue, and hopefully even more successfully than in the past.

Although I think we have been fairly successful in getting some things done, we do need to do more. It has got to be one of our

major goals if we are going to make sure that we have equity in the health care delivery system.

Governor Thompson, obviously we welcome you and congratulate you on your appointment to this very important job. We thank Senator Kohl and Senator Feingold for being here to support you, Senator Dole as well, remembering his outstanding service as a member of this committee and as Senator, generally.

We thank Secretary Shalala for 8 years of doing an outstanding job as Secretary of HHS. She has had a lifetime of public service, and probably the last eight years have been her toughest.

She has stuck out 8 years, and that does not happen very much in any Cabinet position, and probably most often not in HHS, although I do not know the history of all of the Secretaries. But not very many have served 8 years, I am sure.

It is most fitting that we are starting the first health care hearing in the Finance Committee with your nomination, Governor Thompson, because you represent a way of doing business that I hope will be our way of doing business.

The people of Wisconsin know Governor Thompson to be a problem solver, focused on improving the lives of real people. A large part of his success has been his extraordinary ability to stay in close touch with the people that he serves.

It is my hope that the Finance Committee will also seize the opportunity to solve the very real problems that impact millions of Americans in this country: modernizing Medicare and improving access to prescription drugs for seniors; reducing the 43.5 million uninsured in this country; improving health care in rural communities; and improving long-term care. These are all priorities on which I look forward to working closely with Governor Thompson and my fellow colleagues in the ensuing years.

Governor Thompson brings to Washington a set of strengths and skills that are an excellent fit for these new responsibilities. Particularly, his recognition and commitment to innovation, something that we do not do enough of inside the beltway. He has shown through his work on many issues, especially welfare reform, that he is not bound by the old, tired approaches, but instead is focused on working together to develop creative solutions to tough problems, and even confronting stringent requirements of Federal law before those Federal laws were made more elastic here in recent years.

Governor Thompson has made remarkable progress in addressing the health care needs of families in Wisconsin. Successful programs such as Badger Care and Family Care continue to reflect his ability to reach consensus and implement concrete solutions.

Governor Thompson also brings a well-earned reputation for effective administration and management of his State. As he assumes responsibility for crucial programs such as Medicare, Medicaid, and the State Children's Health Insurance Program, he brings a commitment to modernize and restructure to deliver a bigger bang for the taxpayer dollar and to respond to the realities of medicine in this new century.

Finally, the people of Wisconsin have emphatically endorsed Governor Thompson's unmistakable bipartisan style, electing him four times Governor. The presence here today of his Wisconsin col-

leagues reaching across party lines speaks louder than words can. Many of us here in Washington have a lot to learn from the all-embracing approach of successful Governors such as Governor Tommy Thompson.

We are in a unique situation here in the Senate where bipartisanship can no longer be a hobby for a few of us. Instead, it demands to be a way of life for all of us. The American people have demanded it, and it seems to me we have an obligation to respond.

Our goal for this hearing today is not to demand policy agendas or resurrect partisan campaign issues, but instead to get to know Governor Thompson and determine whether he fits the position President-elect Bush has so proudly nominated him for.

Tomorrow, a second hearing will be held in Health, Education, Labor, and Pensions Committee, so I hope this morning we can focus on the programs and activities within the Finance Committee's jurisdiction.

I would like to close by thanking Governor Thompson for his willingness to serve. It is a major personal sacrifice on many different levels, that he has served.

I also want to thank President-elect Bush for choosing such a qualified candidate and for sending such a clear signal of his desire for problem-solving, innovation, effective management, and most important at this time especially considering the last Presidential election, considering the 50/50 make-up of the Senate, the example of bipartisanship.

I thank you.

The CHAIRMAN. Thank you very much, Senator.

We have a little housekeeping question here. I see a good number of Senators here who wish to give opening statements, so we have a choice here. Either we give the opening statements, or at least allow those giving introductions to go ahead, but I would ask my colleagues to be extremely brief in their opening statements, or if they would rather give a longer statement, if they indicate that to me now, then we can allow Senator Dole and others to make their introductions of Governor Thompson first.

Senator GRASSLEY. It is up to the Chairman.

The CHAIRMAN. With such an eminent panel introducing Governor Thompson, I think we will go ahead and have those introductions.

I would like to begin, first, with the third chairman in the room here of this committee, and Majority Leader, Senator Dole, someone whom we have worked with over the years, and for whom we have nothing but the highest respect and admiration.

I have worked personally with Senator Dole, and I have to tell you that he is someone you can trust as the day is long. That has always been a quality about you, Senator, that I have appreciated very, very much, as well as your wonderful sense of humor.

Anyway, Senator, we would love to hear from you.

STATEMENT OF HON. BOB DOLE, FORMER SENATOR MAJORITY LEADER FROM THE STATE OF KANSAS

Senator DOLE. Well, I appreciate this very much. I am just sitting here looking at the committee and how it has changed since I first became a member way back in the 1970's. I remember dis-

cussing with the Chairman, in 1981, the Republicans took over after 18 years and we had our first vote on the committee, the Chairman always votes last. Of course, Russell Long had been Chairman for 17 years. They said, Mr. Chairman, and he voted "aye", though I was the Chairman. But he had a very quick recovery. He said, "I not only vote with my Chairman, I vote for my Chairman." So, things have changed. I know it is a great committee, if you just think of the legislation this committee has passed, generally in a bipartisan fashion. If you do not have a little bipartisanship, it is not going to survive on the Senate floor.

I have already written a note to Senator Grassley, who will be becoming Chairman at noon on Saturday, or whenever it happens, to tell him to cut my taxes. [Laughter.] I have not heard back from him. [Laughter.]

Senator GRAMM. Did he write back?

Senator DOLE. Not yet. He has the franking privilege.

The CHAIRMAN. The Chairman says, Senator, you seemed not to worry as much about that when you were Chairman, his cutting taxes.

Senator DOLE. You get to do a few things when you leave the Senate, and one of those rare opportunities I have today. I have been a friend of Tommy Thompson, I do not know for how long, but for a long time.

He comes from the big down of Elroy, WI, not quite as large as Russell, KA. His father worked in a gas station, my dad worked in an elevator. His mother had to work to help the family, my mother worked to help the family. I think Tommy has only lost one election. That is where the similarities end. [Laughter.] No statewide elections. He never lost statewide.

But he is just one of those Governors that both Senator Grassley and Senator Baucus has referred to that gets things done and is innovative, and understands, working with Democrats and Republicans, you can sometimes find good solutions that are going to last for a long time.

I think he knows who he is, where he comes from, who he serves, and what got him here today. It has been a lot of hard work, and I think, obviously, a lot of support in his State from Republicans and Democrats. That is why Herb and Russ are here this morning. He is following the footsteps of an outstanding Secretary, Donna. You have done a great job.

She reminded me, when she was having her confirmation hearing, I came because Elizabeth told me to get over here and to support Donna Shalala. She was right, and you have done an outstanding job. We certainly appreciate all you have done and all that Tommy is going to do.

I would just say, finally, as I have worked with Governor Thompson, whether it is welfare reform, health care, or whatever it might be, he is looking for results. He is not looking for headlines, does not have an agenda of his own, he is trying to find results. As everybody here knows, we had a lot of different views on welfare reform. I think his work with others in a pragmatic and bipartisan way has been demonstrated time and time again.

As I have indicated, whether it is economic policy, whether it is health care, whatever the policy might be, and you have already

cited some of the big challenges you are going to have with Social Security, prescription drugs, and Medicare, it seems to me, if it comes out of this committee with a 17-2, 18-2, or 17-3, whatever, a solid vote, bipartisan vote, then it is not only going to pass, it is going to last and it is going to benefit the American people.

I agree with the Senator from Iowa, Senator Grassley, that it seems to me, with a 50/50 Senate, I guess every morning you must make certain who has got the 50 before you go to work, whether you are the Minority Leader or the Majority Leader. I know it is going to be close.

It seems to me there is not much you are going to do about it, except work together. I think there is a blessing, in a way. I would rather have 60, if I were the Majority Leader. Never did, but always dreamed about it. Senator Byrd used to tell me about it. [Laughter.]

But there are going to be policies affecting health care, and the list goes on and on. Governor Thompson has been ahead of the curve on almost every issue. He has worked with Governors in both parties, he has worked with legislators in both parties, he has worked with us, he has worked with many of you who are on the committee today, and he knows that, despite the cynics, when we have the right people with the right intentions, with the right policy, you get results that benefit the people. That is what service in the Congress, or anywhere else, is all about.

So, Governor, I am here with others who support the nomination. I can certainly attest to his character and his integrity, and can assure this committee and the American people that we can do no better than to have Governor Thompson lead HHS after the outstanding service of Secretary Shalala.

Thank you very much. I would ask that my entire statement be made a part of the record.

The CHAIRMAN. It will be included in its entirety. Thank you, Senator, very much.

[The prepared statement of Senator Dole appears in the appendix.]

The CHAIRMAN. It is great to have you back. We would like to see more of you, in fact.

Senator DOLE. I would be happy to vote. [Laughter.]

The CHAIRMAN. Yes. Well, we will have to work that out.

The Chair now recognizes the great Senator from Wisconsin, Senator Kohl.

STATEMENT OF HON. HERB KOHL, A U.S. SENATOR FROM WISCONSIN

Senator KOHL. Mr. Chairman and members of this committee, I thank you for inviting me here today. It is indeed an honor for me to be on this panel today with Donna Shalala and with my Senate colleagues, Senator Feingold to my left, and Senator Dole to my right. It is a rare chance for me, as it would be for anybody from Wisconsin, to introduce my friend and my Governor, Tommy Thompson, the proposed nominee for Secretary of Health and Human Services.

I mean it literally when I say this is a chance to introduce him in a very rare way, because in Wisconsin where Governor Thomp-

son has presided for over 14 years as our Governor, he needs no introduction. Here in Washington, it is no easy task to describe the Governor.

Tommy Thompson defies simple characterization. In a time when politicians are jockeying to be called bipartisan, that label does not do justice to Tommy Thompson. He is superpartisan, above it all.

As Governor of Wisconsin, he has worked nationally and locally with Democrats and Republicans to do whatever it takes to bring the best to the most people. For example, 91,000 families off the welfare rolls and into paying jobs; 10,000 students kept in school with his innovative School-to-Work program; and 78,000 low-income working family members covered by the health insurance they could not previously afford.

There is no doubt that the Governor's voter's registration says Republican, but his methods reach across the aisle and his successes reach across the board.

As Secretary of HHS, Tommy Thompson's ideas will be bold, as they were when he pushed Wisconsin to be the first State to end the entitlement to welfare. He will do whatever it takes to make his ideas work, as he did when he marshalled State resources to give welfare families the support they needed to make the transition to productive employment.

Should Governor Thompson be confirmed by the Senate, as I know he will, I can guarantee two things. First, his ideas and methods will defy characterization, and second, his results will not.

I am confident the Governor will bring to HHS and to the millions of people across our country it serves the same thing that he has brought to Wisconsin: dedication, innovation, and ultimately and certainly, success.

I thank you for being here.

The CHAIRMAN. Thank you very much, Senator.

We are now honored to hear from the other Wisconsin Senator, Senator Feingold.

STATEMENT OF HON. RUSSELL FEINGOLD, A U.S. SENATOR FROM WISCONSIN

Senator FEINGOLD. Thank you, Mr. Chairman and members of the committee.

It is with great enthusiasm that I introduce my Governor and friend, Tommy Thompson, as President-elect Bush's Secretary of Health and Human Services Designate. I want you to know, Governor, whether they have always agreed with you or not, everyone in Wisconsin is proud of you today. In fact, Governor, this is the first time that I will be able to vote for you and not get into trouble. [Laughter.] I am looking forward to that.

Tommy and I have known each other since our days in the Wisconsin State Legislature, where he served as the Minority Leader of the Assembly and I served as a junior member of the Wisconsin State Senate.

Since our time together there and during the last 18 years, we have shifted roles and responsibilities, but have continued to work together on a wide range of issues, helping Wisconsin's dairy industry, increasing access to home and community-based services for

the elderly and the disabled, and expanding access to health care for children and their families.

While I am sure that both the Governor and I would like to talk to each of you today about America's dairy farmers, I will focus for a minute or two on a couple of other issues.

Throughout my time working with Governor Thompson he has always been willing to take on the difficult issues, using bold, new approaches—the word bold comes through time and again, as Senator Kohl indicated—to get the job done. His approach is rooted in the Wisconsin idea, which values innovation above partisan gridlock or worn-out approaches to problems.

Thanks to Tommy, the Nation has borrowed from the Wisconsin idea, mirroring many of the creative policies that we have implemented in our great State. A number of people have already mentioned, of course, the leadership on the welfare issue.

We in Wisconsin can be proud that our State was the first in the Nation to submit a welfare plan under the 1996 law that created the Temporary Assistant to Needy Families program. In fact, under the Governor's leadership the Wisconsin plan was submitted on the very day that President Clinton signed the TANF program into law.

Wisconsinites are also proud that the Wisconsin idea has caused our State to rank second in the country in terms of residents covered by health insurance, and Governor Thompson has worked tirelessly to make that happen, and I know wants to expand it even more.

Two years ago, Tommy rolled up his sleeves and brought Wisconsin's can-do attitude to the table and worked with both Republicans and Democrats to enact what we call Badger Care, Wisconsin's program to expand health care coverage opportunities to children and their families. He has tirelessly promoted Badger Care's ideals that children have a much better chance of being healthy and doing well in school when they live in a healthy family.

He has also promoted measures to help Wisconsin's elderly and disabled maintain their independence by remaining in their own community, and I believe that he is the ideal person to take the Wisconsin leadership on this issue to Washington.

Tommy has also recognized that we must take steps to ensure that we find innovative ways to allow the disabled to remain in the community and to be able to enter the workforce without fear of losing key benefits.

Again, I have had the opportunity from here to admire many of his proposals to provide a coordinated system of benefits to those with disabilities, and also the concept of allowing those with disabilities to retain certain benefits while they enter the workforce.

Governor Thompson knows that seniors in Wisconsin and around the Nation need to see these problems addressed in bipartisan, innovative fashion, and I think that Governor Thompson is the one to lead the charge.

So, as I have already told them, my door is always open to talk about any of the many issues under his supervision. I am sure that, by the end of the confirmation process, every member will feel the way that I do, that Tommy will be an asset to the new adminis-

tration and someone we can rely on to address the tough issue by bringing Wisconsin's can-do attitude to Washington.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

We are now honored to hear from the designate's predecessor, Donna Shalala, who has been the longest-serving HHS Secretary, by far. I have admired you very much, Secretary Shalala, in many capacities. One is your energy. I do not know anybody who works harder than you, as I know Secretary Thompson will.

Second, I appreciate your coming to Montana, coming to the most rural parts of our State, too. You have been to cities, you have been to rural America, and I deeply appreciate your service. I know all Americans do, as well.

STATEMENT OF HON. DONNA SHALALA, SECRETARY, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Secretary SHALALA. Thank you very much, Mr. Chairman. Thank you to all the members of this committee, and Senator Grassley.

I am very pleased to be here today to introduce my friend and former colleague, Governor Tommy Thompson. What goes around comes around, and Governor Thompson came down from Madison almost exactly 8 years ago to introduce me before this committee.

Governor Thompson is a consensus builder, he is not an ideologue. He will work well with this committee. He has been, as already noted, a creative, thoughtful advocate for Welfare-to-Work. More than any other Governor in this country, Governor Thompson has articulated not only what it takes to move people from welfare to work, but what it takes to keep them there. His willingness to spend money up front and to say that is what is necessary, child care money and health care money, to help families stay in the workforce has just been extraordinary.

He is a strong supporter of science, and is chancellor at the University of Wisconsin. We had a wonderful relationship as the Governor and legislature supported innovative ideas to rebuild the scientific infrastructure of the State's great universities and to support the scientists.

He understands the connection between investments in basic science and institutions like the National Institutes of Health, the Centers for Disease Control, the Food and Drug Administration, and a vibrant economy.

Providers beware. Governor Thompson will not ask this committee to spend one more dime than necessary for quality health services. He will be tough-minded about spending the taxpayers' dollars.

He believes in community-based services, as Senator Feingold has noted. Let me say a little about that, because Wisconsin, under his leadership, has been a leader in giving people a choice between institutionalized care and community-based services.

That is important for this committee because the Governor, I can assure Senator Grassley, will be touch on the institutions that provide services to the elderly and to the disabled, but he will also fight for their opportunities to live in the community as an alternative to institutionalized care.

Finally, he understands rural America and small towns; he comes from one. This man from Elroy understands what kinds of services and what kinds of investments we need to put in America's more rural areas.

I am very pleased to introduce him. I do not want to gloss over our differences, including a woman's right to choose and perhaps some areas of devolution, but this is a good and talented manager. He has been a superb Governor of Wisconsin, he is my friend, and I am just delighted to hand over, as the Senate decides, the reigns of HHS to Governor Tommy Thompson of Wisconsin.

The CHAIRMAN. Thank you, Madam Secretary.

Governor, with that loyal introduction, I am tempted to conclude the hearing so you can get to work. There are, however, a couple of Senators who would like to make a couple of statements and ask a question or two.

The introducers can certainly be excused. We thank you very much for taking the time, and particularly for those thoughtful introductions.

Senator Rockefeller, you are next.

OPENING STATEMENT OF HON. JOHN D. ROCKEFELLER IV, A U.S. SENATOR FROM WEST VIRGINIA

Senator ROCKEFELLER. Governor Thompson, I welcome you and have enormous regard for you personally and professionally. My comments will be brief, and I will have some questions.

But things that concern me, and I will just start off because that is what I was talking with Donna Shalala about, is a little tiny program which I mentioned yesterday, which I hope is in the process of being fixed and relates to retired coal miners and their health benefits.

On a much larger scale, the whole question of Medicare reform and what one does with the institutions that support Medicare, I think, are tremendously important.

With a 50/50 split in the Senate, the whole concept of compromise becomes absolutely necessary. Yet, sometimes talking about compromise is easier than actually dealing with the principles involved with compromise.

One of the things that we had a chance to discuss was, if you say, what is the compromise between an actuarial benefit, let us say for prescription drugs, and a defined benefit, now most people will not know what either of those means. But if there is to be a compromise, it has got to be between those two and that is not an easy thing to achieve. I think that your leadership can help us on all of that.

On the matter of HCFA itself, I am one of those who thinks that HCFA needs to be more responsive to not just the Congress, but particularly the beneficiaries and the providers. I think that folks that run HCFA do not have an opportunity to bring in enough people with them.

It may be that we do not support you, should you be nominated, which you will be, and with my vote. They cannot bring enough people to run the organization. Those 4,000 in Baltimore, et cetera, work hard, but they are really the masters of the system and are loathe to change.

I think that it would be your instinct to try to shake that up somewhat in a constructive way, and I think many of us on the committee would be willing to help that. I think allowing the administrator to bring in more people to run and to reflect his or her point of view, thus, yours and the administration's, would be very, very important in that.

One of the things we also mentioned was the whole question of block granting. We had a frank discussion about that and I know your views, and I just wanted to repeat that actually John Chafee and I wrote the Children's Health Insurance program, and then it was passed in an extraordinary meeting of the session in which we booted all staff and everybody out of the room and agreed in two hours on what should happen. Bipartisanship suddenly flourished when we were not under the glare, or whatever. It had not happened before, has not happened since, ought to happen more.

But, in any event, the late John Chafee and I really opposed having the States do that because we both figured that some States would do it very well, other States would not do it well.

My State is one which has not done it well. I think that will change, but there was a great period of setting up of committees and bureaucracy, and people were hired and fired, and it was slow to start. I think when you do something like that it needs to be done at an even rate so that all children get an equal chance, as George W. Bush would say.

I would hope that we would not only look at ways to make that work better, it being a block grant, but also that we would look to the day that we could include the parents of those children, and work in legislation for the day when we can include the parents of those children, because it is such an easy thing to do in a step-by-step approach towards universal health care.

A Medicaid block grant, which is contemplated by some, would affect some 350,000 low-income women and children in our State. When this whole idea was last considered by Congress, it would have cost West Virginia about \$4 billion, which I indicated is much larger than our State budget.

I mean, it is just something we could not possibly do. We have many Medicaid beneficiaries, 350,000 out of 1.8 million. I mean, you get the point. We have low per capita income. We discussed that. So, that is something that concerns me.

I have a lot of interest, as Chairman Baucus does, in rural health care, and we discussed that; the whole question of reimbursement issues. One of the things I fear is that, as we in Congress now for 2 years in a row do reimbursement for a major mistake we made in 1997, since we have done it 2 years in a row, there is always a temptation to say, well, that takes care of that.

In the meantime, in West Virginia our hospitals are losing an enormous amount of money, home health care agencies are going out of business, skilled nursing facilities, hospice, all the rest of it.

So I think that is going to be a continuing problem on our part to be able to give providers a chance to provide health care. That is serious beyond virtually any description.

I once argued with a member of this committee that a prescription drug benefit is incredibly important for Medicare recipients,

but not having access to health care is an even more important crisis. So, all of these things, I think, have to be considered.

I am very interested, as we discussed yesterday, in the whole question of the way we in this country do not teach in our medical schools, or at least in no more than 40 percent of them, how it is that, when one is terminal in life—I am not talking about Jack Kevorkian or any of that—how one does palliative care, pain management, and how one resolves medically the whole question of a dignified end of life. That is an issue which has not surfaced sufficiently.

Susan Collins and I are working on that, and others, but it has enormous meaning in America. It is beginning to be caught up by the millions of families, obviously, that experience this and live through this.

So I would just say that I really look forward to your stewardship. In my conversation, everything I have heard about you, you are very practical. I think you and I are the only two on this panel who have been Governors before, and I trust Governors because they have to deal with things as they are, not as they wish they would be.

So I wish you well, Governor, and I look forward to voting for you.

The CHAIRMAN. Thank you very much, Senator.

The Chair now recognizes Senator Nickles.

OPENING STATEMENT OF HON. DON NICKLES, A U.S. SENATOR FROM OKLAHOMA

Senator NICKLES. Mr. Chairman, thank you very much.

Governor Thompson, welcome to the committee. We look forward to you, not only during your confirmation hearing, but frankly in the process of working together with you to solve a lot of problems. Many of us have done that with you in the past.

It is interesting that Senator Dole was here, because I remember Senator Dole having a lot of meetings with Governors on the issue of welfare reform, Medicare, Medicaid, waivers, and I remember Governor Tommy Thompson always being at the lead and saying we want to get some things accomplished. And you did it. You did it in your State.

Frankly, I look forward to the fact, with your experience in your State and your leadership in your State, and the fact that you are able to do so much in welfare reform, gave us great guidance in making welfare reform, nationally, a great success.

I also remember Wisconsin, under your leadership, leading the effort to get waivers in Medicaid. As a matter of fact, almost a challenge by your State and other States saying, we want to try something different in Medicaid, and HHS and HCFA being slow to respond. Now you get a chance to lead HHS and HCFA. I might echo a couple of things that Senator Rockefeller said; HCFA is a mess. You have got a real challenge. It is one of the most difficult jobs around.

I think no one is better suited to take this responsibility than you are, and I certainly look forward to working with you. We have some big challenges, needless to say, in Medicaid and Medicare that did not get done last year, or the last Congress or two.

Maybe it should have, but we did not get it done. It is going to take a bipartisan to do it, and it is going to take a person that understands the programs and understands the need to work together to make it happen.

I compliment you for your three and a half decades of public service in the State of Wisconsin and your willingness to take on a national leadership role, as you have done as head of the National Governors Association, and now as head of HHS.

It is an enormous responsibility, well-suited for a person of your enormous talents. I think, together, we can have some real successes for our country and I look forward to working with you. My compliments to President-elect Bush, I think, for an excellent nomination.

The CHAIRMAN. Thank you, Senator.
Senator Kerry?

**OPENING STATEMENT OF HON. JOHN F. KERRY, A U.S.
SENATOR FROM MASSACHUSETTS**

Senator KERRY. Mr. Chairman, thank you very much.

Governor, welcome. I have enjoyed working with you so much from the Commerce Committee and your role on Amtrak and transportation. It has given me a first-hand opportunity to learn the truth of the significant words spoken by each of the people that introduced you.

Besides that, I will say that I have watched and admired what you have been able to do in your State as Governor over the years. You have been an innovator and you have, indeed, reached out across the lines.

I certainly would say to my colleagues, for those who have not worked with you, that they are going to find in you someone who listens and really works to find the common ground.

So I am personally excited about the prospects, though I cannot say any Democrat is so excited we would not want to see someone from our party sitting there. But we are excited about it and I think there is a lot we can achieve.

I was just mentioning to John Breaux that, back in 1994 on the Health Care bill, I was not on the Finance Committee and I did not have an enormous amount to do with it, but as Senators are wont to do we all kind of get pulled into these things.

I remember meeting with Senator Dole, Bill Bradley, John Chafee, John Breaux, and others in an effort to try to find the common ground, if you will, on the Health Care bill.

I think one of the great, lost opportunities of recent time was the fact that we could have had 90 percent of a more structured effort to cover Americans in place had we been willing to compromise back then. But we could not find that, so we wound up with nothing.

The result is that, today, obviously, we have a health care system that is not just a health care system, almost a social structure that is full of contradictions that do not make sense for the richest country on the face of this planet.

The best technology, some of the greatest advances in medicine, extraordinary hospitals, extraordinary capacity to deliver health care, yet more and more Americans finding primary care in emer-

gency rooms, more and more Americans not covered, more and more Americans not even guaranteed to have the coverage under employer plans.

I think it is about 60 percent of the adults in America who are employed, in a large employment situation, do not have coverage and are not guaranteed that they will have that coverage under an employer plan. Even those people who are paying for benefits with HMOs are not guaranteed that they are going to get what they think they are paying for, or do pay for.

So we have been struggling here in the Congress over the question of whether someone will have even a right to go get a second opinion, or the right to a specialist, or the right to decide what emergency room they want to go to.

Now, in Massachusetts, as you know, we have an extraordinary health care system; great hospitals, great research base, great education base. But the fabric of that community, Governor, is frayed today, deeply frayed.

We said we were going to cut \$115 billion under the Balanced Budget Act; we cut \$230 billion, plus. So we are in a situation where we cannot tolerate annual 15 percent increases in spending on prescription drugs, which is what is predicted, and survive. We cannot tolerate an additional 15 percent cut in home health care, let alone 1 percent, and survive.

Nine hundred thousand seniors in this country have been cut off of home health care in the last few years because of the Balanced Budget Act, 2,800 entities have closed. Twenty-eight in my State shut their doors altogether, six switched out of Medicare, gave up their numbers. And 12 have merged.

The end result is, we are forcing people into more expensive health care settings. Instead of home health care, which is supposed to keep them in the home and cheaper, and is, in good cases where it is delivered properly.

They go to a nursing home, they go to a hospital setting, then they wind up, where Senator Rockefeller said, in this dying status that is far more expensive in many cases than it ought to be.

My father passed away last summer in a hospital setting. It was not where he wanted to be, it is because of where he wound up because of circumstances. It was a remarkable education for me in the difficulties of 24-hour home care for a period of time. We could afford it, but most Americans cannot.

Also, in the difficulties of pain management and other kinds of issues within the hospital setting itself. We can deal with these issues, but we are going to have to somewhat depoliticize it and be more practical, deal with HCFA, which now two members have mentioned, which none of us, I think, in the Congress have found particularly responsive to our needs.

So let me just summarize by saying that I think you have got an extraordinary opportunity with this 50/50 Congress. We have been desperately wanting to make these changes here, and I think you may be well-positioned, given your history and your approach to these things, to help us do it. I look forward to working with you in that effort.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator.

The Chair recognizes the Senator from Mississippi, the Majority Leader, Senator Lott.

**OPENING STATEMENT OF HON. TRENT LOTT, A U.S. SENATOR
FROM MISSISSIPPI**

Senator LOTT. Thank you, Mr. Chairman. I truly will be brief.

Governor and soon-to-be Secretary Tommy Thompson, I wanted to be here publicly, personally, not to congratulate you, but thank you for being willing to take on this most important responsibility.

In many, many ways, I know it is a sacrifice for you to leave a position you have enjoyed—you have done such great work—and move at least part of your family down here to Washington.

So, I appreciate you being willing to do it. It is such an important position. I think President-elect Bush did an extraordinary service to our Nation by selecting you for this position.

I do not think I have ever heard a more ringing endorsement from the two Senators from the State of a nominee than the two we heard this morning, and they are of the other party. That says an awful lot about you and about them. Of course, to have Secretary Shalala and Bob Dole here with you, it is a pretty impressive thing.

When I think about you and listen to what I have heard this morning, there are a couple of words that have come up repeatedly: bold and innovative. You are going to need every ounce of that boldness and innovation that you could possibly conjure up in this new position, and I know you will certainly do that.

You have been commended for what you have done in your State on welfare rolls, your efforts to give a helping hand to those that need it to get out of welfare and into a job, and stay in those jobs. You have done an awful lot of good work in so many areas in your State.

But one area that has not been mentioned that I also want to thank you for, and sometimes my colleague from Texas and I disagree on this, but you have also been very active and provided leadership in transportation. As chairman of the Amtrak board, we appreciate that.

You have helped make an effort to see if we could have a genuine national rail passenger system. And that is not an easy undertaking, but you have been willing to give the time to it. You have had the assistance of a very able Mississippian, John Robert Smith, the mayor of Meridian, to help you in that effort and you all have done great work.

You are going to be back before this committee a lot. So many of the things that President-elect Bush has talked about are going to reside in this committee, such as tax relief for working Americans to keep the economy growing, Medicare reform, prescription drugs, Social Security, and in health across the board. We will need your counsel, we will need your leadership in making these things work.

I do not want to keep pounding on this one subject, and I apologize, I am going to have to leave to go talk to our graduating pages, but I, too, want to emphasize my concern about HCFA, maybe not in the same way that others have, but I think that is the one issue that I mentioned to you when you were kind enough to talk with

me about your nomination, the excessive regulatory burdens. It is almost as if the people that are HCFA do not talk to the people that are out there providing these services. There is a disconnect. Quite often, the things that they try to force on the health care industry raise the cost or drive people out of business. I think they are trying very hard to be responsible and to provide savings to comply with the Balanced Budget Act, but I think that is one area, the day you are sworn in, you need to take a very close, hard look at, get the best possible man or woman in that position of leadership there that you can find, because that is going to be a problem for all of us for quite some time.

But, mainly, I just wanted to say thank you, Tommy, and good luck to you, my friend.

Governor THOMPSON. Thank you.

The CHAIRMAN. Thank you very much, Senator.

Next on the list is Senator Jeffords. No, I skipped Senator Gramm. Senator Gramm was here ahead of you. I am sorry.

OPENING STATEMENT OF HON. PHIL GRAMM, A U.S. SENATOR FROM TEXAS

Senator GRAMM. Well, Mr. Chairman, being a sweet person, I would never complain. Thank you, Mr. Chairman.

Tommy, let me welcome you before the committee. The problem with people saying all these good things, is when they start criticizing you they have got more credibility in doing it, having welcomed you here with open arms. So, it is kind of a mixed bag, I will just warn you in advance.

I just want to mention three issues. The first issue is Medicare. Our new President committed in the campaign that he was going to provide prescription drug coverage as part of Medicare within the context of reform.

I think the big problem is going to be that Congress is going to be eager to provide a new benefit, but they are not going to be eager to do the tough reforms that we need in order to keep Medicare solvent for many years into the future.

So I think the first challenge you are going to have on Medicare is ensuring that, when we are handing out these new benefits that are going to be very, very popular, that we are doing it in an efficient way and that we are doing it in the context of an overall reform. I would commend the work of the Bipartisan Commission on Medicare as a good starting point as you begin to work on Medicare.

The second issue that, clearly, we are going to be dealing with early on is the Patient's Bill of Rights. Our challenge in Patient's Bill of Rights is it is very simple to define, it is very difficult to do. That is, how do we strengthen the ability of patients to deal with HMOs without destroying the very efficiency of HMOs in terms of bringing rationality and economy to health care?

Obviously there are two big issues in the Patient's Bill of Rights that we grappled with in the last Congress right up until the last day. One issue, is liability. How do you give people the ability to sue an abusive HMO without so expanding medical liability that you drive up cost and deny millions of people access to health insurance and access to HMOs?

The second issue, is to what degree do States have a right to say, well, we enacted a law, we did it before the Federal Government got around to it, we like the way our program is working, and we appreciate Washington caring about us, but we would rather do it ourselves. We have a very strong law in Texas.

The very real question we had to grapple with is, given that they wrote a comprehensive bill, should our bill come in and require them to do it the way the Federal Government wants to do it or should they be allowed to say, in these areas of consumer protection, we have adopted our own procedure, it is in place, so we would like to operate under the State law? This is a tough issue, one you are going to have to come to grips with.

The final issue I wanted to mention is one that you are well-known for, and that is welfare reform. As you know, in this Congress we will have to reauthorize the Welfare Reform bill. You would think it would be easy.

President Clinton, who vetoed it initially and who fought it every step of the way, now claims it is the great legacy of his administration. Everybody in Congress is now for welfare reform.

But I just would say that I suspect that reauthorizing it, strengthening it, building on what we did and not backing away from the commitment we made is going to be a very difficult challenge.

So when you look at the key issues we are facing in this Congress, Medicare, Patient's Bill of Rights, welfare reform, you obviously have signed on to a tough job. And it may have been hard in your home State, but I would at least say that you are in the big league here. In terms of taking problems and making them worse, no place on earth tends to do that more than we do. So, I commend you to this task.

The CHAIRMAN. Thank you, Senator.
Senator Jeffords?

OPENING STATEMENT OF HON. JAMES M. JEFFORDS, A U.S. SENATOR FROM VERMONT

Senator JEFFORDS. Thank you, Mr. Chairman.

Governor, it is a pleasure to see you again. I look forward to being with you tomorrow morning before our committee, so I will be very brief.

I just want to acknowledge the service that you have done for this country, and I would like to point out an area of which I am aware that has not been emphasized, that is your role as chairman of the GOALS panel, with the purposes of measuring improvement in education. You have done exemplary work in that area. Unfortunately, it is a very discouraging area, as you know, as we try to improve the education in this country.

I also want to say that I look forward to working with you in the area of human services. Your experience and leadership in welfare reform in Wisconsin has been well defined here. Your success provides a model for us in our own efforts to create similar goals.

We must ensure that the Federal law supports the continuing efforts in States like Vermont and Wisconsin, and you have done some wonderful things in your State, as we have in Vermont. So, I look forward to working with you.

Finally, I would take a moment, though she is gone, to commend Secretary Shalala for all of her efforts and her stewardship.

Mr. Chairman, thank you.

The CHAIRMAN. Thank you very much, Senator.

Next on the list is Senator Snowe.

**OPENING STATEMENT OF HON. OLYMPIA J. SNOWE, A U.S.
SENATOR FROM MAINE**

Senator SNOWE. Thank you, Mr. Chairman.

I certainly, too, want to welcome Governor Thompson and join the enthusiastic chorus of support for your nomination. I think the bipartisan testimonials that have been offered here today in introducing you to this committee and to the Congress are illustrative of the kind of knowledge and talents that you are going to bring to bear at the Department of Health and Human Services.

As one who has worked with you, Governor Thompson, I frankly cannot think of a more appropriate person to lead the department, somebody who has literally rewritten the book on delivering governmental assistance. When we were working on welfare reform remember we looked at your innovative program, Wisconsin Works. Your program became the blueprint for welfare reform here at the Federal level. It is precisely your kind of knowledge and experience that will allow us to address many of the critical issues that Americans face today, and ones that we indeed have been wrestling with.

The fact that you have been Governor, that you have been in the forefront of these issues, that you understand firsthand the needs of your people, and ultimately the American people, I believe is going to serve all of us well.

Without question, there are a number of concerns with the Department of Health and Human Services, but let me just cite a few. I think, first and foremost, of course, the financial viability of the Medicare program is important. We need to bring Medicare into the 21st century while recognizing the new health care realities, and particularly when it comes to providing prescription drug coverage.

When the Medicare program was designed in 1965, it was primarily predicated on inpatient hospitalization. Today we know that prescription drug therapies are not incidental treatments, but in fact are often primary care treatment.

So, therefore, I think that we have to give our ultimate consideration to enactment of a prescription drug coverage program, and hopefully we can do it in conjunction with Medicare reform.

There is no question about the need for coverage of this kind for Medicare beneficiaries when one in three Medicare recipients do not have prescription drug coverage. The question is, what can we do about it?

We have all introduced our various pieces of legislation; I did, along with Senator Weiden and others here on the committee, and in the U.S. Senate. This committee has grappled with this issue for the last couple of years. I hope that we can come together to craft a solution to this most pressing national need.

One of the other pressing issues, is the issue of the uninsured. This last year saw a decline in the number of uninsured Americans for the first time since 1987. But that gives us little comfort when

it means that there are 43 million Americans without health insurance, 10 million of whom are children.

I know I am preaching to the choir here on this issue because Wisconsin, again, under your leadership, was at the forefront of addressing this problem. In fact, I understand Wisconsin ranks third in the commitment to helping uninsured children.

Again, it is testimony to your understanding, as well as your commitment to this kind of issue. I think that with your active participation we can hopefully address this issue. Certainly from our perspective on this committee we can use the Tax Code to provide support in helping people to get the insurance that they desperately need. This is a national problem that requires a national solution.

As Senator Gramm mentioned welfare reform, and we will be considering the reauthorization of the Welfare Reform legislation. Since this law was enacted in 1996 we now have the lowest percentage of Americans who are on the welfare rolls since, I think, about 1967.

However at the same time we should look at and examine the outcomes of welfare reform. What has happened to former welfare recipients; why are there so many who are not finding work? Are we providing adequate support structures so they can ultimately become self-sufficient? Again, you made an enormous commitment to child care. In fact, we modeled our commitment after yours, although we did not go as far you did, and we should have.

In fact, as a result of what you did in Wisconsin, we were able to provide the rationale for providing, I think, \$3 billion more in child care support under welfare reform. You, in fact, provided, I think, a 15- to 20-fold increase in Wisconsin, and that is why it has been a tremendous success.

But we ought to examine some of these issues in the final analysis, what we can do better, and where, because obviously this is the right direction and we ought to recognize where we can improve upon it in some of the areas to make sure that it works well for everybody involved.

The final issue is the responsiveness of HCFA. I will reiterate what others have said. If you just look at the issue of the Kassebaum-Kennedy legislation that was passed in 1996 for portability as well as prohibiting insurance companies from discriminating against individuals for preexisting conditions, the GAO report that came out in March of 2000 indicated the department had yet to implement that legislation. HHS is still in the final stages of issuing their first regulations on this legislation that was passed, in fact, 4 years ago.

The GAO report came out last spring at a time which we were debating the Patients' Bill of Rights, underscoring the question that if HCFA could not implement legislation that was passed 4 years ago, how could it tackle the Patient's Bill of Rights? So, we clearly have to make HCFA more responsive.

Again, those are some of the issues that I am concerned about. There are others as well, but I will get to that in my questions. But I want to welcome you to this committee, and I applaud you for the record of achievement that you bring to this particular office.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator.
Senator Breaux?

**OPENING STATEMENT OF HON. JOHN BREAUX, A U.S.
SENATOR FROM LOUISIANA**

Senator BREAUX. Thank you, Mr. Chairman.

I, too, would like to welcome the Governor, who will soon be the Secretary of one of the most important departments in our Nation's government. I am delighted that he has agreed, as everyone else has said, to accept the responsibility. It is, indeed, a great responsibility, and also a great opportunity to do good things.

If we are to be judged by the company that we keep, I think that this morning was a good indication of the type of candidate you will be for this job. I mean, you had two U.S. Senators, one would-be President, and one soon-to-be President. I had to think about that one for a while. [Laughter.] But you also had three Democrats and one Republican, indicating the bipartisan support that you have.

I have questions, when we get around to that, about Medicare and your concept of what we should be doing in that area. I have some questions about the Patient's Bill of Rights, and some of the other things that are very, very important.

But a couple of notes. Number one, you are going to be heading a huge bureaucracy. Most of the people have been there long before you will get there, and most of them will be there long after you are gone. They know that you are going to be there for a very short period of time. Many think that perhaps the direction of that department should come from the bottom and not from the top.

You are at the top, and between you and the President it is going to be your responsibility to set a policy and get those thousands of good, working professionals to agree with it and support it. That is an immense task. I am convinced that, as Governor, you have been through this process before and you know how to handle it.

Do not ever forget who is the Secretary, who sets the policy, along with the President and the Congress. That is your responsibility. Be in charge, run the place, because that is what they are going to expect you to do.

The other thing is, I do want to caution on a policy thing. We can talk about that, maybe. I think that President Bush's proposition on prescription drugs, as a short-term fix, is an ill-advised and ill-conceived concept. I say that for three reasons.

Number one, a block grant prescription drug to the States, which you are familiar with. It is wrong because, number one, it is going to take just as long to get that through the Congress as it is going to probably take to do an overall reform of Medicare, and that reform should include prescription drugs, absolutely.

Number two, I think many people are going to think it is sort of a welfare program and that it is only designed to serve poor seniors, when we should be serving all seniors.

Number three, many States are not going to be able to afford to participate in it, because it is obviously a block grant which is going to require a match. I know my State would not be able to participate, we cannot come up with the match. I think you would find that true in a lot of States out there.

So I think, to the extent that you could use your talent and knowledge in this area, along with your supporters, to try and work out a way we can do both Medicare reform and prescription drugs, I think that would be terrific advice to the new President, and hopefully help us resolve this.

So we look forward to working with you. We are glad you are there and look forward to your confirmation.

Governor THOMPSON. Thank you, John.

The CHAIRMAN. Thank you very much, Senator.

Senator Conrad?

OPENING STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

Senator CONRAD. Thank you, Mr. Chairman.

Welcome, Governor Thompson. I have long admired your innovation in terms of administration of important programs, especially welfare. I really think you helped the Nation move in a different direction that we desperately needed to do.

I wanted to just mention to you, if I could, this is an issue that I hope you will pay special attention to, because the disparities across the Nation on Medicare reimbursement are becoming more serious and have very severe consequences.

This shows the disparity for the treatment of new illnesses, simple pneumonia here, heart failure on this side, and it compares two hospitals, Mercy Hospital in Devil's Lake, ND, and Our Lady of Mercy Medical Center in New York City.

The blue bar is Mercy Hospital in Devil's Lake, the red bar is the Our Lady of Mercy Hospital in New York. On simple pneumonia, that hospital in Devil's Lake gets about \$4,300 to treat that illness. For that exact same illness, the hospital in New York gets twice as much, \$8,600. The same is true in the case of heart failure; about \$4,000 reimbursement from Medicare for that hospital in Devil's Lake, \$8,000 for the hospital in New York.

Now, the result of this is, of our 44 hospitals in North Dakota, 12 of them are on the brink of failure. Twelve of 44. That is according to the leading accounting firm in our State that has gone out and done an analysis of the economic status/financial status of our hospitals.

I think many of us would be quick to acknowledge there is a difference in the level of cost between Devil's Lake and New York City, but it is not 100 percent. When we go out and buy technology, they do not give us a discount because we are getting half as much reimbursement.

It is true that there is a difference in labor rates, but it is not a 100 percent differential. With the increasing difficulty of attracting medical professionals to rural areas, this kind of differential cannot be sustained. It simply cannot be sustained.

Now, I am no expert on the economics of the hospitals or the finances of the hospitals in New York. I am not here to say take it away from them and give it to us; I doubt that they could take that kind of reduction. But I do know, if this differential is not reduced, then it is going to be increasingly difficult to deliver medical services in rural areas.

I have not looked at your State, Governor Thompson. I have not looked at the differentials there. I do not know if they are as dramatic as what we face here, but perhaps they are.

One other point I would make to you, and that is in home health care. The same kind of thing, really, differentials that are impossible to support, impossible to defend. A lot of this grows out of past history. As you know, these are based on costs, historical costs. But the costs change, and we are stuck to old formulas that no longer reflect the reality.

I would just say to you, I hope very much that in this new position you will aggressively review these old formulas, that you will aggressively review the economic fall-out from these determinations, and come to us with recommendations on what we can do to fix this.

If we do not, we are going to see a continued closure of hospitals, of home health care agencies. This is not theoretical, it is happening right now in my State.

I thank you, and I thank the committee for its time.

The CHAIRMAN. Thank you very much, Senator. There are a lot on the committee who share the same concerns.

I would now like to recognize a new member of this committee, who unfortunately was unable to make it yesterday. But we welcome you, Senator, to the Finance Committee. It is an honor and a privilege to have you here. We would now like to hear from Senator Torricelli.

OPENING STATEMENT OF HON. ROBERT G. TORRICELLI, A U.S. SENATOR FROM NEW JERSEY

Senator TORRICELLI. Thank you very much. First, it is a pleasure to be here, second, to address you as Chairman of the committee. But for you and Senator Grassley, and other members of the committee, I look forward to this service very much and I am very grateful for the opportunity.

Governor Thompson, it is a pleasure to welcome you as well. I am very pleased to see your nomination, not only because I think that you could serve us so well as a member of the Cabinet, but because since you will no longer be in Wisconsin you will have no influence in fighting the Northeast Dairy Compact.

Senator BREAUX. Do not count on it.

Senator TORRICELLI. This is a double win for us.

So much has been asked of you, I will simply leave you with my own philosophy, for what it is worth, as you begin this valuable service.

Many good men and women of both political parties have come before you in this position. They have served our country ably by working with our health care system and making contributions, where possible. The system has evolved from those many years of service, which is strained. You perhaps can serve sufficiently by making your own contributions to it. But I believe you are capable of doing more than that, and that the country requires more than that.

The United States does not have a health care system which is financed or built that is worthy of this Nation. We have technology that is unrivaled, health care professionals that have no peer. Peo-

ple come from around the world to go to our institutions, to share in our technology, and to use our health care products. But there is something fundamentally wrong with the system.

My State produces 40 percent of all the pharmaceutical products in the world. I visit heads of state in their countries around the world, and they flock to hospitals in New York, Boston, and Houston, and all around our country.

Yet, within miles, sometimes fractions of a mile, of those pharmaceutical companies in New Jersey or those great hospitals in New York there are people who cannot get access to the institutions, who go to sleep at night not knowing what to do with their child if they wake during the night with a dreaded disease. They live in fear of cost and access. That is not a system that is worthy of this country.

Bringing fundamental change to it is extremely difficult, but you are a man with a great reputation and great ambition. I hope that is your goal. Others have come to the system with that in their sights, but either failed or been overwhelmed at the prospect of the challenge. I hope you are not.

In our own lifetimes, there was a time when many of these diseases consumed lives or caused suffering, and it was simply unavoidable. It was a fact of nature, a tragedy.

Now we have different circumstances. People are suffering by diseases, they are dealing with pain, they are not able to involve themselves in cures, not because of failures of science, but because of failures of a system that either distributes technology or deals with access. That is no longer a tragedy, it is a moral crime, in the very shadows of the institutions that could offer that cure.

If one's technology was an excuse for not helping people, then it was cost, with the largest surpluses not only in American history, but in the history of any government, that is no longer an excuse. You have neither technology, national will, nor resources as an excuse to fail, and neither do we.

You will lead this effort, and we are all willing soldiers. There is a path. There is a bipartisan path to get this done. I cannot define it for you, but I know it is there because ultimately this is a Congress of people of good will and a country of very decent people who genuinely do care about each other, if a fair system can be devised.

I look forward to working with you and hope we can bring that fundamental change. It can be a very exciting time. Good luck to you.

Governor THOMPSON. Thank you.

The CHAIRMAN. Thank you, Senator.

Next, we will hear from Senator Graham.

OPENING STATEMENT OF HON. BOB GRAHAM, A U.S. SENATOR FROM FLORIDA

Senator GRAHAM. Thank you, Mr. Chairman. I would like to welcome Senator Torricelli and our other new members to the Finance Committee. As is clear by the statement we just heard, they are going to bring not only eloquence, but also wisdom and experience, as we try to work as loyal soldiers in the Governor's army to deal with these issues.

I would say that one of the fundamental problems with our health care system, and specifically with the Medicare system, is that we are captives of our past and we have not been able to quite figure out how to break those chains.

Medicare was established in 1965, it was largely built on the model of the private insurance programs that were available at that time. Among other things, those programs had very little focus on prevention of illness. They were almost totally sickness oriented. If you were sick enough to go in the hospital, they would pay your bills.

But if you wanted to find out if you had the precursor of that illness, which might be managed and avoid having to go into the hospital, no financing was available. It also omitted prescription drugs because they were not a particularly significant part of health care in 1965. We are still living with those decisions.

In my opinion, the most fundamental reform that can be made in Medicare is the transition of Medicare from being essentially a sickness program to a program that is truly a health program, that has as its primary objective keeping people well, with the highest quality of life, as long as possible. We know how to do those things, in most instances, today.

So I would hope that, as one of your directions for this program and for our health care system in general, it would begin to reorient this big ship from the destination of illness to the destination of health.

Second, and it responds to some of the underlying issues that Senator Conrad so dramatically outlined, is that we have had a system that has been resistant to injecting some rational, competitive measures to help us allocate resources.

We have an absolutely ludicrous method, for instance, of allocating funds for reimbursement of health maintenance organizations. It is predicated, fundamentally, on how much fee-for-service medicine charges within a particular area, generally a county, and then the HMO reimbursements become a derivative of that.

So if you happen to be in a county that has, for instance, a large tertiary care hospital typically associated with a medical school, you are going to have a high fee-for-service cost, therefore, you will have high HMO reimbursements, and therefore you will have lots of competition among the HMOs to sell contracts to Medicare beneficiaries within that county.

If you happen to be in a rural area without a high-cost hospital, relatively low fee-for-service medicine, you will not have any HMOs show up because the reimbursement levels are low. Yet, every attempt to break that pattern has been resisted by exactly the organizations that we thought we would be serving, which are the HMOs themselves.

Frankly, they like the system that we have now because it is a system that allows them to cream off the expensive areas and avoid the low reimbursement areas, and it has been a profitable situation. It has not served the Nation very well, but has served a few interests extremely well. I think we need to challenge ourselves and challenge those providers to be willing to accept a more competitive model.

I do not know what the State of Wisconsin does to determine who the HMO that will serve its State employees are, but I know in my State the typical method of doing it is through some form of competitive bidding. That is what I think we ought to be doing. It is not a rocket science idea, but it happens to work.

So, Mr. Secretary, I admire what you have done as Governor of Wisconsin. I know that you will bring that experience to this new task, and you have got a big, rich target of opportunities to apply that experience for the benefit of our Nation, and particularly for the benefit of the almost 40 million Americans who depend upon the Medicare program to finance their health care.

The CHAIRMAN. Thank you, Senator, for that very thoughtful statement.

Well, Governor, after that glowing introduction by Senator Dole and others, and after listening to a mosaic of concerns here about health care, we very much look forward to your statement.

I think you know from listening to us that we have high confidence in you and we expect great things. We very much want to work with you and tap into your energy, your optimism, and your good will to solve some of these very complex problems.

The committee would now be honored to hear what you have to say about all of this.

STATEMENT OF GOVERNOR TOMMY G. THOMPSON, SECRETARY-DESIGNATE, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Governor THOMPSON. Thank you very much, Chairman Baucus, Senator Grassley, Senator Snowe, Senators Rockefeller, Breaux, Conrad, Graham, and Torricelli.

First, just let me say I am deeply honored to be here and to hear the wonderful, nice tributes that you have given me. I thank you very much, from the bottom of my heart. I only hope that I can measure up.

I want to tell you at the outset, I am going to be looking at each and every one of you to work with me, to take your ideas and to work hard to implement the policies that have been articulated here today. I thank each and every one of you for that.

I especially want to thank Senators Herb Kohl and Russ Feingold, two very well-respected members of the Senate from the great State of Wisconsin. I also want to thank my very good friend, Senator Bob Dole, for taking time out of his busy schedule to appear here today, as well as Secretary Shalala, who I had the privilege of introducing 8 years ago to this panel, and I think has done an outstanding job. I know she will do an outstanding job as president of the University of Miami. I cautioned her, however, about not trying to recruit the football coach from Wisconsin. [Laughter.]

To my friends, colleagues, and the members of this committee who have extended their support and their very kind words, please accept my heartfelt thanks for your kind introductions and, more importantly, your remarks.

For those here who may not know much about me, let me give you some insight by saying this: welfare reform, health care reform, long-term care for seniors, greater opportunities for the dis-

abled, helping the poor find work, and help the working poor find reward in their efforts, biotechnology, and scientific research.

I am passionate about all of these issues and we have worked very hard on each and every one of them. These are issues I have dedicated 35 years of public service to solving, the last 14 as Governor of the great State of Wisconsin.

Should I be so lucky as to be confirmed by the U.S. Senate, I will continue to dedicate myself to working with each and every one of you, and the President-elect, to address these challenges.

If we have learned anything in the past year, it is that our citizens are clamoring for action to deal with some of the most critical issues affecting their day-to-day lives: modernizing Medicare, providing access to a prescription drug benefit, improving access to quality health care for all Americans, taking welfare reform to its next level. These are not partisan issues, these are issues that are fundamental to the health and well-being of our country and, more importantly, to the people we serve.

These are not easy tasks, but solving tough issues is why we all, all of us, got into this business. Like the President-elect, I have spent my career bringing people together, plotting a course of action, and moving forward. In fact, the motto of Wisconsin is "Forward!"

Now, I hope to bring that spirit with me to Washington. I hope that we can sit down, work together regardless of party, and move this great Nation forward. The Department of Health and Human Services has enormous responsibilities. Its programs can touch every life in this country from birth through the golden years.

HHS runs over 300 programs that include providing health care to our seniors, nutrition services for women and children, and groundbreaking research conducted by the National Institutes of Health.

The department is entrusted with the second-largest budget in the Federal Government. I know that this committee understands that well because the legislation affecting HHS that has come out of this committee has transformed the social contract in this country.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 and other monumental acts were forged in this very room and were ultimately passed with overwhelming bipartisan support.

If I am fortunate enough to be confirmed by this body, I recognize that we have got a lot of work ahead of us. I will be knocking on each and every one of your doors for your ideas and your assistance.

Let me touch, briefly, on some of the most pressing issues we face. Medicare. Medicare is a vital component of our commitment to America's senior citizens. Our charge is to ensure its continued vitality and viability.

The first principle that we must all agree upon, is that today's seniors be guaranteed the level of care and the benefits that they currently enjoy. But we must not stop there.

Medicare is failing to meet the needs of our seniors and is not allowing them to reap the benefits of the tremendous advances in medicine and technology that we are witnessing here today.

We must face reality and we must be pragmatic. Any organization that does business the same way it did 35 years ago is obsolete. As the baby boom generation approaches retirement, even greater demands will be placed on Medicare.

I know the members of this committee have taken Medicare reform very seriously in recent years. Both sides of the aisle have devoted a great deal of time and energy to studying the challenges faced by the Medicare program.

The National Bipartisan Commission on the Future of Medicare made significant progress in addressing this issue. That is a good place for us to start.

You have laid the groundwork. Now it is time for us to take the next bold step and begin the process of modernizing Medicare and putting it on a firm financial footing.

Prescription drugs. An integral part of a modernized Medicare will be to provide all seniors with access to prescription drugs. The great advances our Nation is making in science and medicine is producing an array of life-saving drugs, but the cost of these drugs are beyond the reach of too many of our citizens, particularly seniors who need these drugs most.

While comprehensive reform may take some time to achieve, the American people are demanding a prescription drug benefit today. We must move immediately to help millions of low-income senior citizens who cannot afford the life-preserving prescription drugs that they so desperately need.

President-elect Bush made prescription drugs a top priority in his campaign, and it will be a top priority in his administration. I know also that this is a top priority for this committee, so I am eager for the opportunity to work with you in solving the problem quickly and effectively.

Access to quality health care. As we found in Wisconsin, lack of access to affordable health care is a very serious problem, especially for the working poor. Although personal health care expenditures now exceed \$1.3 trillion, or 13 percent of our gross domestic product, more than 43 million Americans are still uninsured. That is unacceptable.

When I was in the State legislature I started thinking about the role that government should play to help individuals out who work hard, support their families, and just could not afford health insurance.

When I was elected Governor I worked very closely with the legislature to develop a new approach to solving the problem. The result is BadgerCare, a program that provides health care for low-income working families who make too much money to qualify for Medicaid but cannot afford health insurance on their own.

Over 77,000 people were enrolled in this program by the end of 2000, and it has helped us maintain our status as one of the best States in the Nation in providing health care coverage for its citizens, as 93 percent of Wisconsinites currently have health insurance. The success of this program is one of my proudest achievements at Governor.

Now, is BadgerCare the answer for everyone? I would like to think so, but the truth is there is no cure-all for every issue the government faces. But it underscores the potential for a bold, new

partnership between the Federal and State governments and the tremendous good that can come from better teamwork between the two levels of government.

We must encourage innovation and reward success, but we must also recognize that the needs of Madison are fundamentally different than the needs of Los Angeles, or Bozeman, MT, or Ames, IA.

Now, do not get me wrong. I am not saying the Federal Government should just step aside and cede all authority and power over these programs to the States. It should not, and will not.

The Federal Government plays such an important role in overseeing Federal programs and the use of the Federal taxpayer dollars, but the Federal Government does not need to be heavy-handed or locked into a one-size-fits-all solution.

The Federal Government should give States the flexibility to develop programs for West Virginia that meet those high standards that it sets in a manner that is efficient and cost-effective.

The Federal Government should hold States accountable in exchange for greater flexibility and step in when States are not measuring up to expectations. Giving States greater flexibility under the States Children's Health Insurance Program, SCHIP, I believe, is part of that solution.

This philosophy is one that I have advocated for years, as many of you know. But it is one that forges a stronger partnership between the States and Federal Government for solving tough societal problems more effectively.

We must also preserve the private health insurance market and work with States to put health insurance within reach of working families through a series of common-sense measures to increase the affordability and availability of health insurance.

President-elect Bush made this a cornerstone of his campaign, proposing measures that will allow small employers to band together to enjoy the same economies of scale that larger employers enjoy, as well as providing tax credits to low-income families to assist them in purchasing private health coverage.

Furthermore, it is critical that we do not ignore those who are most vulnerable and without access to care. The medically underserved who live in our inner cities, but yes, also in our rural areas, often lack access to basic primary care.

We must strengthen our health care safety net by supporting our community health centers and forging those public/private partnerships to assist our hospitals in North Dakota, as well as Wisconsin and New York, and providers who serve those communities.

Workforce development. Another task that all of us will face, should I be confirmed, is the reauthorization of the Personal Responsibility and the Worker Opportunity Reconciliation Act of 1996.

People refer to this as welfare reform, but we did not reform the old welfare system, we replaced it with something entirely new. The changes to the welfare system that began in Wisconsin and spread throughout the country have resulted in the most effective job program we have ever seen. I do not have a welfare department in Wisconsin, I have a Department of Workforce Development.

Before we embarked on changing welfare in Wisconsin, I had a luncheon at the Governor's residence with the very people who the programs were intended to serve, mothers who were on welfare. I asked them what the major barriers were to leaving welfare, and we set out to design a program around their major needs.

Our program, called Wisconsin Works, or W-2, provides the support necessary for individuals to enter the workforce. For those who still need assistance, we provide financial and employment planners, transportation assistance, job access loans, child care assistance, and access to health care.

I have always said as loudly and as publicly as I possibly can, that for welfare reform to be successful you have to make an investment up front. It cannot be done on the cheap.

The savings to taxpayers, and they are substantial savings, come on the back end as public case loads decline and welfare mothers get an opportunity to work. Perhaps nowhere has the public payoff for a taxpayer investment been more evident than in the fundamental changes we have made to the welfare system in this country.

As an example of this success I would like to share a portion of a moving letter that I recently received. It came from a woman I first met at one of these luncheons at the residence, Leilani Duarte.

She wrote, "W-2 has enabled people to better their lives and to support their families. Thank you, Governor Thompson, for the creation of the W-2 program and believing in me." To me, that is the most important action we have taken to date, believing in those that we are serving and believing that they can succeed.

But now it is time to consider the next steps in this process. We must face head-on the huge challenges faced by those still receiving direct benefits. As you know, these are often the people with significant health problems or individuals struggling with substance abuse, lack of education, and lack of work skills.

We also have a duty to help those families who have successfully moved into the workforce continue to move up the ladder of economic success.

Another important step is to sound the call to recruit what President-elect Bush has called the "armies of compassion." Faith-based communities are closest to those who have the most need of government services. Serving these communities is a responsibility that can, and should, be shared to reach the greatest number of people in the most compassionate and effective way.

Many of these efforts are not just about offering a program or service, but about transforming lives. One lesson we have learned in Wisconsin from the changes to the welfare system is that government alone cannot help families succeed. It takes the concentrated effort of government, employers, educators, family, friends, churches, and the community.

Reforming the department. We have much work to do on programs that currently exist, but in addition to the programs the department itself must be reformed to address the needs of its clients in the 21st century.

If I am confirmed, I will make sure the department always places the highest priority on serving its many constituents, families, chil-

dren, seniors, patients, the disabled, providers, Congress, the President, and the States.

I will work to streamline the maze of rules and regulations that these constituencies face while seeking assistance from their Federal Government. In all my years as Governor, I have never stopped asking if we are doing things the best way. If confirmed, I will not stop now. The retort, because that is the way it has always been done, is really not acceptable to me.

One clear example, is the Health Care Financing Administration. I cannot tell you how many of you have told me this is the biggest problem facing me in this new role. HCFA's role has been continually expanded, however, over the last several years, charged with administering increasingly complex programs.

HCFA faces tremendous demands and challenges as an agency, administering a budget estimated to reach \$340 billion in fiscal year 2001 and providing health care for more than 70 million Americans.

But patients and providers alike are fed up with excessive and complex paperwork. Rules are constantly changing. Complexity is overloading the system, criminalizing honest mistakes and driving doctors, nurses, and other health care professionals out of the program.

HCFA needs a thorough examination of its mission, the competing demands, and available resources. We need to ensure that HCFA has the tools it needs to succeed and serve the American people.

In conclusion, for me it is inspiring to see a leader in President-elect Bush who is not afraid to call all of us to action on a bipartisan basis as we address these difficult problems, a leader who recognizes that government alone cannot reduce poverty or solve societal ills. It takes all of us working together as partners, including the faith community.

If you should see fit to approve my nomination, it will be an honor to serve the President and you, and to work with each of you as we aggressively seek to make the lives of millions of Americans better and to restore hope and opportunity for those who have been left behind in this great country.

As I have always said, a person of compassion is one of action, not words. Compassion means being bold and caring enough to act to solve societal problems. Therefore, I respectfully seek your confirmation of my nomination so that I can begin working with President-elect Bush and with each of you to tackle problems facing the citizens of America.

This is going to be a time of action in America and I would be proud to be part of it. Thank you.

The CHAIRMAN. Thank you very much, Governor.

I sense that we have a wonderful opportunity here to tackle issues head-on and solve a lot of the problems that we have been talking about, whether it is more insurance for the uninsured, rural reimbursement, prescription drugs, or whatnot.

I know that the President-elect has outlined certain basic proposals, certainly during the campaign, and it is too early to get all the details and so forth, but I would just like to explore with you, given that restriction, what we can possibly do, what the potential

here is, to help a lot of Americans. I would like to begin with the prescription drug benefits.

The President-elect's proposal you have heard talked about euphemistically here, that is, not in very glowing terms. That is, the Helping Hand block grant to States. I very much hope that you would take back to the President-elect the word that it is not going to be very favorably received here in Congress, and that we have an opportunity to really do more to help the American people.

A lot of States really do not want to take on this additional responsibility. They have new programs thrust on them, similar to the one outlined by the President-elect. I think most of us want some form of universal coverage. I mean, after all, Medicare is universal. Why should prescription drug benefits not also be universal? It is the right thing to do, for one thing.

Here we are in the United States of America with drug care costs going up so much and with the budget surpluses that we have, it makes sense to me—in fact, I do not think we are going to have this opportunity again—to find some way to enact universal benefit for prescription drugs.

This side of the aisle favors it. The bipartisan Breaux-Frist bill included universal coverage. The Republican House-passed bill had universal coverage. The political will is here to enact universal coverage. I want to underline, too, it is the right thing to do for America.

I also want to point out that some say, why do we not temporarily enact the Helping Hand program as kind of a beginning and then we can come back with something later. Well, often it is hard to reimpose something later.

It may be that the little bit we would be doing would be enough to preclude later effort and will to do more. That is always a potential problem. The low-income Helping Hand program, too, is going to take as much time for States to gear up, I think, as would a universal coverage program.

In summary, it just seems to me that if we have a proposal for a universal tax cut, we certainly in America, at this point, with our large budget surpluses, could have a universal drug coverage benefit. I would just like to explore these issues with you and get your thoughts on how we might accomplish that.

Governor THOMPSON. First, Mr. Chairman, let me tell you that I have been absolutely impressed by the feedback that I received from each and every Senator that I have had the opportunity to meet in your offices and discuss this subject.

You are absolutely right. I have never found such a bipartisan spirit in anything I have ever been involved in, as I found in going around to discuss with Senators a chance for passing some kind of prescription drug benefit.

But President-elect Bush made a commitment in the campaign that he was going to advance a Helping Hand proposal, and he will do that. But that does not mean that we cannot at the same time, concurrently, work for a proposal that could reform Medicare with a prescription drug benefit.

The President feels strongly that, if we just pass the prescription drug benefit, that we would lose out on a great opportunity to reform Medicare at the same time.

I would like to work with you and with all of the Senators in coming up with a reform of Medicare with a prescription drug benefit that all of us could be proud of, and at the same time advance the Helping Hand that the administration will be advancing as one of those alternatives, but with the understanding that if we could get something done completely, I think the President would be extremely happy, enthused, and passionate to be able to sign it into law.

The CHAIRMAN. Well, I appreciate that. In fact, I am personally more than open to Medicare reform at the same time.

Governor THOMPSON. Thank you.

The CHAIRMAN. But I hope that we do not let abstraction rule and that we get down to some specifics here and take advantage of this opportunity, this bipartisanship and willingness to get at least prescription drug benefits passed—it should be universal, in my judgment—while we are working with Medicare reform. I do not know if we will be able to entirely reform Medicare. You are never going to entirely reform Medicare, it is an ongoing program.

Remembering that Congress always meets tomorrow, that is, there is an opportunity to make changes on down the road. I sense the willingness to cooperate and get results, and I pledge to you that we will try to find some way to enact Medicare reform.

Governor THOMPSON. Thank you so very much. I am confident that we can do that.

The CHAIRMAN. All right. Thank you.

Senator Grassley?

Senator GRASSLEY. Let me do two ministerial things first. As senior Republican, I need to explain why Senator Hatch cannot be here. It is quite obvious to people that follow the goings-on on the Hill that he has been very busy with the Ashcroft nomination. But he wanted me to tell you that he appreciates you being nominated and looks forward to working with you as a member of this committee, and he will put a statement in the record, Mr. Chairman.

[The prepared statement of Senator Hatch appears in the appendix.]

Senator GRASSLEY. The second thing is, when I am done questioning here I am going to disappear for about 20 minutes to go to the Agriculture Committee to be involved with the nomination of Secretary-to-be Ann Veneman.

I would start out, not saying anything to denigrate what Senator Baucus has said, but to build on it. Number one, would be that the President has a responsibility to perform in office commensurate with the rhetoric of his campaign, so whatever he said in the campaign ought to be presented to Congress, even if it is Senator Baucus' judgment that it might not fly.

Second, I would have the admonition that should the President propose that, as he should according to the principles of political leadership, then he should be very flexible.

Then my admonition to anybody involved in this process: Senator Baucus and I and other people on this committee are going to have to work something out. So I would give admonitions to people both on this committee and off the committee that are very interested in prescription drugs, that there will be programs maybe presented to the Congress that, as good as they might be, might be so costly

as not to be realistic for us to get through in a bipartisan way, just the same way as other people would say that the President's may not do enough to get bipartisan support to get through. We have to have flexibility on both sides, and I am sure we will.

I am sure that it probably, for the President, has to start with this program, understanding he may have to cooperate, with the extremes of other positions. There may even be some Republicans that would participate in a position that would be so far out and so costly that it could not have bipartisan support.

Now, here is where I think the most important thing is that it is necessary for us to be flexible. Now, Senator Baucus is absolutely right, that with this budget situation we have got an opportunity to do something on prescription drugs that we might not have an opportunity for a long time to do again. I think there is general agreement, even with the President, that there is some general fund money that goes into this program.

We want to make sure, though, that we do not read the present budget situation with this wonderful opportunity to do something that is not sustainable over the long haul. Over the long haul, in a program like this, it is two, three decades, at least, we ought to figure on as we look into the future.

So we have to be very realistic, too, as to how we approach the budget situation as an opportunity to do something. It is an opportunity to help us get started. We want to make sure that we are flexible enough to make sure that we do something that is sustainable over the long haul and do not build up expectations that cannot be maintained.

So this is a very high priority for me. I have expressed that to you and your office. So maybe the only question I will be able to ask you this round, is that since he campaigned on this, considering a White House task force to discuss modernization of Medicare, including prescription drugs for seniors, and since this is clearly important to this committee as well, could you tell us how you would envision a task force of this nature operating, and how the task force might be helpful in finding a solution to these issues? Could you offer any suggestions on where might be a good place to begin discussions?

Governor THOMPSON. Thank you very much, Senator Grassley. Let me just comment on some of your underlying statements, first, that corroborates with what Chairman Baucus was talking about.

The administration feels very strongly that there is such a good feeling of bipartisanship right now, that we have a golden opportunity to reform Medicare and have a prescription drug at the same time.

What the administration is somewhat fearful about, and was also expressed to me by some other Senators, is that if we just pass the prescription drug we may miss a golden opportunity to reform Medicare and improve it so that it will be able to continue on well past 2025. So the administration wants to work with you, but thinks we have an opportunity to do more than just the prescription drugs.

In regards to the task force, I think, as I indicated in my statement, we should start with the Breaux-Frist reform proposal and work from that. If we can work together and move faster than set-

ting up a task force, I have not discussed this with the administration, but I think they were much more interested and much more results-oriented, if we can move fast enough and get beyond just the discussion of it and actually move towards a proposal, I think this administration would be very enamored and excited about that.

The CHAIRMAN. Thank you very much.

Governor, I neglected to ask you the three standard, obligatory questions that are asked of all nominees.

First, is there anything you are aware of in your background that might present a conflict of interest with the duties of the office to which you have been nominated?

Governor THOMPSON. No.

The CHAIRMAN. Second, do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated?

Governor THOMPSON. No.

The CHAIRMAN. Third, do you agree without reservation to respond to any reasonable summons to appear and testify before any duly-constituted committee of Congress, if you are confirmed?

Governor THOMPSON. Absolutely. I will do more than that. I will come to your office and discuss issues with you.

The CHAIRMAN. Great. Great.

Senator Rockefeller?

Senator ROCKEFELLER. Thank you, Chairman Baucus.

Governor Thompson, John Breaux and I are very, very good friends and we both spent a lot of time together, as did Phil Gramm, on something called the Medicare Reform Commission a couple of years ago.

The reason that Medicare reform, in my judgment, did not go through that commission successfully, or further, was not the politics or the partisanship of it. It was, in a sense, a sort of ideological digging in on both sides which made it very difficult for John Breaux and for myself.

Now, from my point of view, I am open to an array of reforms in the Medicare program. I would prefer to do prescription drugs. I know it is a popular program, but that is not to say that, because something is popular, that it is bad for people. I am willing to do the reform aspect of it, though I think that will be harder.

The one point that I would like to put to you, is that there always was the assumption in the Medicare Commission that non-fee-for-service Medicare would bring enormous efficiencies of scale—Phil Gramm talked about it this morning—and would solve many of our problems.

What I want to say to you, is in West Virginia we have, generously speaking, maybe 1.5 plans that are HMOs, everything else is fee-for-service. So in order for Medicare reform to work, on a committee which is frankly largely rural—this used to be known as the Oil and Gas Committee, it is not any longer—it is not as non-partisan as people talk about it as being, but it is rural. You look around and you will see that.

Governor THOMPSON. Not exclusively.

Senator ROCKEFELLER. Yes. With some exceptions that have 40 percent of all pharmaceuticals. I was impressed by that one, on a worldwide basis. So I would hope that the fee-for-service component of Medicare remains a very, very strong priority. Efficiencies of economy is appealing to me as a human being who is interested in public policy.

The fact is, they simply do not affect our State of West Virginia, and fee-for-service is where our health care is for Medicare, and where it will be for a very, very long time, especially considering the sort of new developments. I would ask your understanding or recognition of that reality.

Governor THOMPSON. I certainly recognize that, Senator Rockefeller, because I, too, as you know, come from very much of a rural background. I always tell people I come from Elroy, WI, with a population of 1,500. You can call somebody, get a wrong number, and still talk for a half an hour, that is how rural I am from. So, I recognized your problem and I identify with it in a lot of ways.

But the administration feels very strongly that prescription drugs will not be easy, but it is going to be very popular on a bipartisan basis. I am concerned, Senator Rockefeller, that we do not miss the golden opportunity to reform Medicare at the same time. I think prescription drugs is going to be sort of the lynch pin in getting a reformed Medicare proposal. I understand the fee-for-service.

Senator ROCKEFELLER. I do not argue that. I am just saying that the fee-for-service component of that, as John Breaux said, in Louisiana you would not be able to afford it.

Governor THOMPSON. Right.

Senator ROCKEFELLER. We would not be able to afford it. We talked more about that in terms of Medicaid when we met personally.

The final question that I will ask for now is the question of, you indicated the President is interested in a tax credit in terms of the purchasing of health coverage, health insurance. A tax credit is probably more expensive than a tax deduction. I would remind you, Chairman Baucus and I represent two States that have the lowest per capita income of any of the States in the country, so if you give somebody a tax credit or a deduction, one being more expensive than the other, there are two consequences from that which I would like to get you to comment on.

One, is it seems to me that, in that after prescription drug expenses, the average senior in my State and some others, for their total income from all sources and for all purposes of living, 65 years and older, averages \$8,600 a year.

So if you give somebody a tax credit or a tax deduction to purchase health insurance, or the remainder of that for those who do not have health care at all in a State where people do not have resources, it only works if they have the money to purchase the rest of the cost of the health insurance, otherwise, it simply does not work. So an idea is attractive, but unless it works and in fact allows people to spend the money to buy that health insurance, it does not work, number one.

Number two, my final point, is that I think that it would also encourage some employers who do offer health insurance to not

offer health insurance. As you know, that is something of a trend. I would only ask your comment on that, and apologize to the Chairman for over-expending my time.

Governor THOMPSON. Well, Senator Rockefeller, I indicated in my speech that one size does not always fit all. West Virginia has a unique situation, as well as some other States, and that has got to be taken into consideration.

We want to make sure, whether it be by a sliding scale, whether it be by co-pays, whether it be exempting up to 150 percent of poverty, ways in which your constituents will be able to afford the prescription drug provision, whatever passes.

I know full well that it is not going to pass if we do not take into consideration individual situations like West Virginia, Montana, and other States.

That is why it is important for us around this table, through the administration, and the department, if I am confirmed to lead, needs to sit down and find out those individual intricacies and find out how we can develop a very comprehensive system that will take care of your people, as well as the rest of the people in the United States.

Senator ROCKEFELLER. Thank you.

The CHAIRMAN. Thank you, Senator.

Senator Breaux?

Senator BREAU. Thank you, Mr. Chairman.

Again, thank you, Tommy, for your comments and your statement. I thought it was well thought out.

I want to make a proposition to you, outline something briefly, and ask you to comment on it.

Governor THOMPSON. Thank you.

Senator BREAU. I think that Senator Rockefeller's comments about how we proceed with Medicare reform are thoughtful, and he feels very strongly about it. I do not necessarily disagree with most of his comments about the role of government.

There are those that think that Medicare can only be run by the government and can only be run by Washington, and it has to be micromanaged by HCFA in order to guarantee good health care for seniors.

There are others who would take the proposition that, no, that is antiquated, that is a 1965 method, and it does not work in the 21st century, and they would want to abandon all of that and move totally to a private sector, competition, premium-type of program.

I think that what we are trying to do to try and bring both sides together, is to take the best of what government can do and combine it with the best of what the private markets can do, and then create a system that has both parts in it.

What I mean by that, is the best that government can do is to guarantee to the people of West Virginia, or Louisiana, or all over these United States, South Dakota, that those people have access to a clearly-defined set of benefits under the program and that the government can do that.

The second thing that government can do very well is help pay for it. You have to have someone help people pay for the program, and the Federal Government can do that. But you combine what the Federal Government can do best with what the private markets

can do best. I would suggest that what the private markets can do is bring about innovation and provide competition.

To give you an example, just last year for the first time we have had to pass an act of Congress to include Pap smears as part of Medicare. The private sector has had that in insurance plans for decades. So, we are slow to act. The private sector can bring about innovation and new technology and do it quickly, and they can bring about competition.

So what are your thoughts about the concept of trying to create a system where you combine the best of what government can do with the best of what the private markets can do to create a 21st century Medicare program?

Governor THOMPSON. All I can say is, I agree with you. It is what President-elect George Bush was talking about in the campaign, take the best from both systems and give people options.

Senator BREAU. I mean, it cannot be all one way. I do not think anyone is arguing that only the government can do it. I think very few people would argue that, just throw it out on the mercy of the private market and you will get a good program, because that is not going to work either. But if you put both of them together, I think you create something that makes sense.

The final point, and the second point, is I note in your statement you still describe, on prescription drugs, that we must move it immediately—I presume that is the block grant program—to the States for prescription drugs.

I think that this, quite candidly, is viewed as a political problem by President Bush because it is very clear that, during the campaign, he talked in terms of a block grant to the States on prescription drugs that would go into effect very early while we worked on Medicare reform.

I think that more and more members of Congress in both parties are looking at that concept and saying, look, it is going to take us just as long to do that as it will to do Medicare reform with prescription drugs; second, that there are many States, that do not have the money to participate in it, my State being one, and I am sure there are others that do not have the match for a new addition to the State Medicaid program; and third, that we should not be creating a prescription drug program for poor people, but for all people.

I would suggest that you recommend to the president that, look, my point in the campaign was I wanted to provide prescription drugs for all Americans. Now that I have come to Washington and taken office and visited with all of my colleagues that I am going to have to work with in the Congress, that there is a growing consensus that there is a better way of doing what I want to do than what we talked about in the campaign, a better way in the sense that it encompasses all Americans, not just some Americans. I want to do this as quickly as we possibly can and am convinced now that the best way to do it is to do it as part of Medicare reform.

You are not changing what you said in the campaign, you are not changing the goal, you are only changing the means to reach that goal because a new and better way, and a more politically accept-

able way to both parties has been brought to light. Can we sell that back upstairs, somewhere?

Governor THOMPSON. Let me just respond very quickly, Senator Breaux. You know that I have found that George W. Bush is a very principled individual, and he believes very much, what he said on the campaign he has got to adhere to.

He believes very strongly that he has to introduce a block grant proposal because he wants to make sure that, if nothing else passes, that there are people out there that will be able to get prescription drugs. He believes strongly and passionately about that, as I do and as you do.

But once it is introduced, if we are able to come together, as you indicated to me last night when we were discussing this, Senator, and I appreciate the meeting, if we are able to come together and come up with a comprehensive Medicare reform with a prescription drug, I think all of us are going to be very appreciative and I think the American people are going to be very well served.

So with the understanding that we are going to introduce the legislation and we will be working with you to develop a comprehensive Medicare reform with a prescription drug component, I think whatever can move the fastest, this administration will be very happy about.

Senator BREAUX. In other words, you will not get real mad at us if we do not pass it?

Governor THOMPSON. If you can pass a comprehensive Medicare reform with prescription drug, I can fairly much assure you, he will be not mad, he will be very delighted.

Senator BREAUX. Thank you. Good luck.

The CHAIRMAN. Thank you, Senator.

Senator SNOWE?

Senator SNOWE. Thank you, Mr. Chairman.

Just to follow up on the prescription drug issue, and I think it is obviously evident that we all share this concern. I know it is a shared priority for President-elect Bush, as well as comprehensive Medicare reform. The question is, how do we do both and get both?

The concern of the last 2 years, in fact, was whether or not to proceed with a freestanding prescription drug bill or to have it part of an overall Medicare reform package.

That is why I included a funding mechanism from a prescription drug benefit in the budget resolution over the last 2 years including an amendment which I wrote in conjunction with Senators Wyden and Smith of Oregon. That had a carrot-and-stick approach.

We set aside a \$40 billion reserve fund for a prescription drug benefit. The first \$20 billion of this funding would be available for a freestanding Medicare drug benefit in the first 3 years even if we did not get Medicare reform. The next \$20 billion would not have been released in the fourth and the fifth years until there was a Medicare reform package.

The incentive would have been for Congress to address comprehensive reform, otherwise the prescription drug benefit program would have expired. You can obviously understand the political ramifications of that type of sunset—there would be incentive to address both problems. This gives you an idea of the approach we may have to take in the final analysis.

My concern is that at some point we may bog down on certain details of Medicare reform and will not be able to reach a consensus. Hopefully that will not be the case. I do really think we have to grapple with the issue of Medicare reform and a new drug benefit, and I would prefer to do them as one package, if it is possible.

But, in the event we cannot do so, I would encourage you to at least be thinking in the direction. However, I just described I think the overall concern is that if we have a temporary program we may never get any more on prescription drugs and then we would defer any action on a Medicare reform package because of the difficulty and complexity of those issues.

I do think it is going to be important that we work across political lines to try to figure out what we can do on both issues, and to make sure that we have the kind of package that will address. I believe for all senior citizens, the concept of a universal benefit is important in the final analysis because many view this to be the very foundation of the Medicare program.

There are so many seniors, low-income, middle-income, that do not have access to the prescription drug coverage, the third that I was speaking of—who do not have any coverage whatsoever. I do think it is important that we address these issues for all seniors.

I would encourage you to look at a specific timetable, Do you have a timetable planned for Medicare reform?

Governor THOMPSON. Senator SNOWE, I cannot tell you at this point in time what the timetable is because I really do not know. Maybe I am just being overly optimistic, or maybe naive, but when I had the privilege of talking to so many Senators on both sides of the aisle, the indication was that we could do something dramatic this year.

I think Senator Torricelli said it the best in his opening remarks this morning. He said, it is time to act, and it is time to do something dramatic, and it is time to lead.

I can tell you, the overwhelming response from all Senators was, the time is now. Maybe we should not look at a timetable, maybe we should just plow ahead and see if we can develop a comprehensive Medicare reform with a very strong prescription drug component. That is, I know, what the administration would like, I know it is what I would like.

But the President-elect also feels that he wants the block grant there as sort of a security blanket; if, in fact, all these good intentions break down, that there is something there for the States and the people to be able to purchase prescription drugs. That is really the ultimate goal, to make sure that American citizens are able to buy prescription drugs.

But I really feel good about it. I cannot tell you, maybe it is because I have been a Governor for too long and have not been in Washington enough, but I just felt very, very positive and optimistic about the good intentions of all the Senators that I have had the privilege to discuss this with.

Senator SNOWE. I think that is very important. I think it is a priority for all of us, and hopefully we can act on our good intentions and to make it a reality.

In the area of the uninsured, again, I commend you for the leadership that you exhibited in your own State of Wisconsin in that regard. I want to address the State Children's Health Insurance Program, which is invaluable in providing insurance for uninsured children.

It did concern me that at the end of the last fiscal year 40 States had yet to fully implement that program and were in danger of losing federal funding. This problem arose due to a variety of reasons, whether states did not immediately pass the legislation in their own legislatures, whether they did not have the funds to match with, and so on. There were a variety of reasons why. But, nevertheless, the fact is that 40 States had not fully implemented SCHIP.

Now, some people are suggesting that we should impose penalties on these States. Is that something you would consider, or is there another way of addressing it?

Governor THOMPSON. I think there are a lot of reasons that a lot of States did not act as quickly as you think they should have, Senator Snowe. Some have good excuses. In Wisconsin, it took us 18 months to get a waiver through HCFA before we could start our very successful Badger Care program, so we were waiting for HCFA to act.

I know other States only meet once a year. The SCHIP program came at the end of their session and they did not have time, so they did not come back in and they missed a year.

I have had the opportunity to talk to Governors. They think this is a great program. They are looking forward to it. I think what we need to do is address the Governors once again and tell them that it is really an important priority for this country.

I am fairly confident that they are going to measure up. If they do not measure up, then yes, there should be penalties, there should be sanctions. But I think that, before we level the sanctions, let us find out what the reasons were and find out if we cannot do a better job of convincing them to get started if they have not done it.

Senator SNOWE. Thank you.

The CHAIRMAN. Thank you, Senator, very much.

Senator Conrad?

Senator CONRAD. Thank you, Mr. Chairman.

One of the things I would like to do is alert you to a problem. As I heard you discussing Medicare reform, you indicated going back to the commission, Breaux-Frist. Let me just alert you to one problem there that is a very serious problem for a State like mine, and for States represented by other members around this table.

In that approach, those who are in fee-for-service were held harmless in those areas that do not have Medicare+Choice plans—like my State, like many others around this table—until you have got one Medicare+Choice plan.

Then you are back in the pot and you are either going to have to pay the premiums of that Medicare+Choice plan, or what will probably be much higher fee-for-service rates because the sickest of the sick are going to be in fee-for-service.

So that is a huge problem in areas that do not have Medicare+Choice plans or have very limited choice with respect to

Medicare+Choice. That led to my very strong opposition to what the Breaux-Frist plan came out with, not because I was opposed to the overall concept, certainly not opposed to reform.

But I was opposed to the circumstance that we would have faced with regard to a State like mine, where there is just not much competition and probably not going to be.

In the second iteration they addressed that concern. Senator Breaux, because we sit next to each other here we have a lot of chances to visit. They modified that part of the approach and took care of it so that we did not face that same problem. I would just alert you to that, that if you are going to go forward with something like that, it is very important which iteration you pick.

The second thing I wanted to address, is the block grant program with respect to prescription drugs. I do not think it provides much of a safety net in terms of what might or might not happen here. The reason I say that, is all the reasons that Senator Breaux gave. There is just not much support.

My Governor does not like it, other Governors do not like it, a lot of us do not like it, and I think in many ways there is only so much time and energy around here. If you have got too many horses out on the track, it confuses people and it gets people fighting with each other over things that we could more constructively spend our time trying to work out something.

That is the message I just wanted to leave you with. I hope we do not wind up having a circumstance in which we are winding up fighting about things that are not really ever going to happen anyway, and that we spend our time and energy trying to construct something we can agree on.

I also hope that we do not go the route of another commission. We do not need another commission. I think we ought to get to work, roll up our sleeves, start early, and try to get something resolved that really advances the ball.

With that, I would go back, in terms of the question, the point I made earlier with the charts. What are your thoughts on how we break through on this tremendous differential between reimbursement rates between rural areas and more urban areas? Conceptually, how do you think we need to proceed?

Governor THOMPSON. Senator Conrad, let me just respond to a couple of your comments. The President-elect wants prescription drugs and wants to reform Medicare. The reason I mentioned Breaux-Frist, was I, too, believe that there has been a lot of work already done and we can start at that point, as I mentioned in my statement.

We could start at the Breaux-Frist proposal and work from it to take into consideration the problems that you have in your State, the problems that we have in Wisconsin, problems we have in New Jersey. So I think we have got a golden opportunity.

The President-elect feels, however, that he has to introduce the block grant just in case we break down. He wants something there to make sure people will be able to get prescription drugs.

Senator CONRAD. Can I just say on that point, he made campaign commitments, and all the rest, and I think it would probably be very wise of him to send up those things that he has made commitments on.

My urging would be, in terms of where you put your energy and effort, that we not wind up in a big flap over something that is not going to happen and that we put our energy and effort into things that are constructive that we can really get done.

Governor THOMPSON. I understand that, and the President-elect and the administration does, too. If we could come together with a comprehensive Medicare reform and a prescription drug, Senator Conrad, I am absolutely certain that the President-elect would be one of the happiest guys in America, and I know I would be, and I know you would be.

In regards to the disparity in hospitals, it is not only in the rural areas. I was contacted yesterday by Senator Torricelli, who has the same concerns. So I think what needs to be done, is we have to sit down and see what we can do.

I have the same problems that you have in the State of Wisconsin. I have fought very passionately against the bureaucracy in Washington about the disparity of hospital reimbursement rates. I always thought Wisconsin was the only one being discriminated against; I am glad I found some other individuals that feel the same way.

But I think we have to look at it and see what we can do. I do not think that you are going to be able, as you indicated in your opening statement, to just take away from higher reimbursed States.

Low-reimbursed States like yours and like others' also have a tremendous problem because we have to pay the same amount of money for capital expenditures, for X-ray machines, for mammography, and so on, the same costs. So, there has to be a more equitable way to do that.

I do not have that answer yet. Give me an opportunity to get over there and look at it. I just thought giving more money to Wisconsin was an answer, but I found out now that that is not the only solution.

Senator CONRAD. If I could just say, in conclusion, part of the problem here, I believe, is we are stuck with formulas that are so old that they have just lost their relevance. It is going to take going in and looking at how one provides a new set of formulas that really are equitable for everyone, because what we have got now is mired in the distant past.

Governor THOMPSON. But you know the difficulty and the complexity of formula fights. There is nothing more contentious than a formula fight. Hopefully, we can come up with some sort of suggestions, and I would like to come to you with those suggestions and see what your comments are.

The CHAIRMAN. Thank you very much, Senator. Senator Torricelli?

Senator TORRICELLI. Thank you, Mr. Chairman.

Perhaps yesterday when you heard about the enormous inequalities and hospital reimbursements for New Jersey you thought you had heard the last of it for this week. How wrong you were. [Laughter.]

Senator Conrad's point raises what is probably an issue for most Senators on this committee. If he is frustrated by the inequality of

reimbursement for rural hospitals 2,000 miles from New York, you can imagine my circumstances.

The great medical centers of Northern New Jersey in Englewood and Hackensack are as little as three, or as many as eight, miles away from Columbia Presbyterian Hospital in New York City. They are separated only by the Hudson River.

The same doctors who in the afternoon perform operations in Manhattan, in the morning see patients in New Jersey. When the hospitals expand, they use the same contractors from the same unions. Their trash goes to the same sites, hauled by the same trash haulers. They buy electricity at the same rates, they pay taxes at the same rates, but there is a \$300 million difference in what New Jersey hospitals receive than New York hospitals.

This is not to suggest anything to the disadvantage of New York hospitals; they are the flagships of our national systems and they are tremendous institutions. But the reimbursement rates are built on assumptions that are decades old.

The major care provided by hospitals are no longer just in these urban centers. People are actually more likely in my State to get a cancer operation or a bypass surgery in Newark, Hackensack, or Camden than they are in Manhattan or in Philadelphia, but the system no longer reflects this and it is going to require some major changes. They are going to be, politically, extremely difficult.

But if this hearing today has served any policy function, it is, I think, to introduce to you the depth of concern that all of us have and the tremendous problem we are all facing locally.

I would like to then just address, if I could very quickly in the time allotted to me, several other questions that I will concede to you have some parochial concern.

One, I have waged a sometimes successful, sometimes unsuccessful fight with the Clinton Administration the last few years over organ allocations. My State has an enormously successful program, where people are donating organs for operations. The wait lists are the shortest in the Nation.

But rather than the department you are about to lead championing our success and recognizing it as a national model of a how a State works with localities and hospitals to have a successful organ donation program, their answer, instead, has been to attempt a program to share our donations with States that do not have working programs. We do not need your help. Leave us alone. We are taking care of our own people.

If HHS wants to do something useful, go to those Governors in those States who do not have working programs, show them how we have done this. We are fully prepared to share when the needs of our own citizens are met; indeed, we do.

In a period of time if there is no need for a citizen in New Jersey to use an organ that is donated through a New Jersey facility, it is available to the rest of the country.

But if, indeed, instead you want us to make this available to everyone, adding transportation costs, increasing the risks of failure in the operations, you are only going to destroy one of the few programs that work.

Now, I feel aided in this that I understand that Wisconsin also has a working program. So, I understand—I hope—I am speaking

to someone who knows better than I the advantages of working with the States. But I hope you will be sensitive to this and help other States to recreate our successes rather than undoing all that we have done.

Governor THOMPSON. First, in regard to the disparity in hospital rates, it is something that all of us share a problem with and it is begging for some sort of solution, Senator Torricelli. I would appreciate any comments, any ideas you have on how to smooth out and improve the equitable distribution of the payments.

In regards to organs, I am the Governor that sued the department over their policy. I thought I was listening to myself when you were expounding over there. I thought we were the most successful. I am somewhat shocked that you think you are.

Senator TORRICELLI. There is nothing wrong with your being second. [Laughter.]

Governor THOMPSON. I think New Jersey is second, Wisconsin is first. But I am passionate about it. I think what needs to be done, is take the good programs that are happening in New Jersey, happening in Wisconsin, and exporting them to other States. There is a waiting list of at least 70,000 individuals in America that need an organ.

What we need to do, instead of taking from one to another, is to grow the number of donors. Everybody should sign their motor vehicle driver's license and become a donor. Every family should understand that.

I took it upon myself when I became Governor to try and articulate a vision for more individuals to be recognized and to be involved in giving organs.

One day of each year, it is the most moving, most emotional part of my job as being Governor, was to invite the families in who lost a loved one, but at the same time gave the opportunity to give those organs of that dying loved one to somebody else and give that person the gift of life.

Every year I take a day out to recognize those families. I give them a Gift of Life medal, and it is the most moving, most caring, compassionate thing I have done as Governor. The families come to the capital and I give them the Gift of Life medal, and they say thank you for recognizing our contribution. I bring the recipients, and they thank the families.

As a result of that program, it has gotten more people in Wisconsin involved in recognizing the importance of it, just that one little program. If we did that on a national level and did it in individual States, I think we could grow the number of donors, we could harvest more organs, and we could supply the needs of all Americans.

I look forward with you to work with New Jersey, Wisconsin, and any other State that has a viable program and use the bully pulpit to try to make sure that we grow the number of donors.

The CHAIRMAN. Thank you very much, Senator. Thank you, Governor.

Senator TORRICELLI. Thank you, Governor.

The CHAIRMAN. Senator Kerry?

Senator KERRY. Thank you, Mr. Chairman.

Governor, I mentioned in my opening statement that Medicare spending on home health care dropped 48 percent in the last two fiscal years, from about \$17.5 billion in 1998 to \$9.7 billion in 1999. I mentioned the 2,500 agency closings and the 900,000 people that have lost it.

Do you support the elimination of the future across-the-board 15 percent in the funding for home health care as you approach this? I mean, are you going to come in there and say, we are not going to do that and we are going to find a different way to come at this?

Governor THOMPSON. Senator Kerry, at this point in time I cannot make that commitment because I do not know the budget constraints. I would have to discuss this with the administration. I would like to have some time to come back. If you give me the opportunity I would respond in writing at some later date, but at this point I am not ready to make that decision.

Senator KERRY. Great. Well, I understand. Obviously, you are aware of the concern and I know you will approach this with sensitivity to that, or I hope you will.

Similarly, we have an enormous shortage in nursing care. I know there was an article you may have seen in the Washington Post the other day about, bring your own nurse, and people actually doing that, privately hiring people for care.

I am putting together some legislation to try to deal with this, but I wonder if you approach this job with any sense of urgency with respect to the shortage of nursing care, skilled nurses, and have something you intend to try to put together on that.

Governor THOMPSON. It is a serious problem. We had to, in Wisconsin, Senator Kerry, these past couple of years, pass a reimbursement, a special allotment for nursing home attendants and health care workers. I am not saying that is the answer, but I know of the problem and I will be working with you to find a solution.

Senator KERRY. In conjunction with that, Governor, during the campaign the President-elect was asked about access to health care, and he said, regarding Texas, "you go to emergency rooms in my State, they're full of people. They're full of people. There's access."

Do you view a full emergency room as an indication that adequate access to health care is being provided?

Governor THOMPSON. I certainly do not want to question any statement by my President. He appointed me. I do not know the context in which he said it.

Senator KERRY. Well, it was about access.

Governor THOMPSON. I think, if you listened to my statement, I said that there needs to be a medical system where more people have access.

Senator KERRY. Do you come to this job at this point in time with sort of a model of how you are going to approach this question? I mean, we have got 44 million uninsured. Obviously, a large percentage of them are young people who view the future as unlimited and do not buy into insurance, but the other half of them, or more, are people who just cannot afford to.

Governor THOMPSON. I have some definite ideas based upon what I did in Wisconsin, Senator Kerry. I introduced a proposal that I think is probably one of the most successful health insurance pro-

grams in America today for working poor. It is called Badger Care. We have 93 percent of the citizens in Wisconsin covered by some form of health insurance, and Badger Care has been a tremendous program to enhance the number of people insured.

I never thought it was right that the working poor, who do everything and do not ask for anything, could not afford health insurance. So we set up a program with a waiver to allow them to purchase in to our very successful Medicaid program.

As a result of that, working poor families now are covered in Wisconsin because of a waiver from the Federal Government and because of buying in to our successful Medicaid program. That is one program that I would like to see if we could use that format to possibly look at making that a national program.

But I have also said it may work in Wisconsin, but I am not so sure it will work in Massachusetts and California. But that is one of the kinds of programs and the kind of innovative ideas that I hope that I can bring to this job, Senator Kerry.

Senator KERRY. There are a number of States, actually, that are doing similar kinds of programs with different names, but almost all of them involve some manner or form of subsidizing or providing support for, or access to, the insurance system so people who cannot otherwise get it are going to find a way of having that coverage.

One of the problems in America, is it is a very inefficient delivery system. Every company in the country, and every individual in the country, is paying for this inefficient delivery system.

So the costs go up on one side significantly, on the other side you have all these people who are not paying anything but who still get care being paid for by the others in the inefficiency.

So it seems to me, and this is what we tried to do back in 1993 and 1994, was expand the pool. Everybody who has been able to be successful, like yourself and others, have found a way to expand that pool.

Governor THOMPSON. That is very true. But that also supports the concept of allowing States the flexibility and giving them the innovation to try things differently like we did in Wisconsin.

Senator KERRY. Absolutely. Could not agree with you more. But it also may involve a hard look for this new administration at its current proposals with respect to what happens to the surplus.

One hundred of us in the House and Senate wrote a letter to President Clinton suggesting that some measure of the surplus might well be put to use to guarantee this coverage. As the CHIP program has demonstrated, when kids get proper health care nutrition and immunizations it works. In Boston, one-third of the kids, half the kids in Massachusetts, I am sad to say, suffer from anemia in the minority community, which leads to lack of attention, to motor skill problems, and other kinds of learning disabilities, which then leads to greater costs down the road. So, you can promise Americans a tax cut in the long run if you reduce many of the costs that we bring upon ourselves because we do not provide adequate health care and intervention with children.

I know you, in your early child efforts, understand that and I hope you are going to bring this to this job.

The CHAIRMAN. Thank you, Senator, very much.

Senator KERRY. Thank you.
 Thank you, Mr. Chairman.
 The CHAIRMAN. Senator Lincoln?

**OPENING STATEMENT OF HON. BLANCHE L. LINCOLN, A U.S.
 SENATOR FROM ARKANSAS**

Senator LINCOLN. Thank you, Mr. Chairman. I apologize for being late to this hearing; there was another nominee's hearing that I was attending.

But I would like to welcome Governor Thompson to the committee. I served in the House of Representatives starting in 1992 and I shared the Governor's goals of revising welfare as we knew it. I voted for the welfare reform package over there and worked diligently on bringing about something that I thought would be very productive for this Nation.

I certainly admire you, Governor, for recognizing that it costs money to help people stay off those welfare rolls, and I believe you have certainly provided national leadership in that arena, that spending is necessary for support services such as job training, child care, transportation, and other things that are important.

I would also like to thank my colleagues. I know that Chairman Baucus, Senator Rockefeller, Chairman Grassley, Senator Conrad, and others have already mentioned, and I have certainly heard some more of it, about the implications for those of us that represent predominantly rural areas, and how important it is to have a better understanding.

For the life of me, I cannot believe I have spent the majority of my time in Congress trying to describe to people up here that it is not any less costly to provide health care in rural areas, but that the urban/rural differential presents an enormous difficulty to us.

A large portion of persons living in these rural areas depend on the Federal funding, and the fact that more than 50 percent of the revenues of our rural hospitals and physician practices come from Medicare and Medicaid makes that an ever-more important question for you and for your agency. I think that is why we have all brought it up.

So we are certainly looking to you to be able to help us with that with your background from Wisconsin. I have never visited Wisconsin, but I do assume that there are rural areas there, and we are hoping that your experience can hopefully provide us some leadership in that arena.

I would also like to associate myself with the comments from Senator Snowe, that hopefully as you look at prescription drug packages, certainly understanding the comments that you have heard in the committee today, that this is something that we all feel very strongly, I think, that we should act on those good intentions, that we should be able to come up with a package that is going to be workable for all Americans and all seniors.

Representing a State that has the largest percentage of our elderly population living in poverty, it is absolutely essential to us in Arkansas. So, I certainly will be working with you and want to work with the committee to see that we do bring about something.

I hope we do not, as Senator Conrad mentioned, spend a great deal of time on issues that we cannot resolve, on things that we

cannot do, but more importantly really look at what we can accomplish. I think that you will be able to provide the leadership on that, and I will look forward to working with you.

Mr. Chairman, I would like to ask unanimous consent to submit my entire opening statement, as well as some questions on a couple of things that I will not get to now because I know my clock will run out, on the SCHIP program and a few other areas where I would like to have a written response that gives you plenty of time to formulate your answers on that, and would appreciate that.

[The prepared statement of Senator Lincoln along with questions and answers appear in the appendix.]

Senator LINCOLN. I would also like to really focus on, and I appreciate working with both Chairman Grassley and Senator Breaux on the Aging Committee on issues about our aging population.

There is one thing I have recognized. I am the youngest woman in the history of our country to serve in the Senate, and I am absolutely amazed at the lack of attention we have paid to the issue of concern of our aging population in this country. It is going to be a disaster for us if we do not begin to recognize it.

I would really like to hear some of your comments of what your intentions are with the AOA, which is the caveat within your agency that will be dealing with some of that. Under Federal programs previously, we have not had programs that would support family caregivers, the National Family Caregiver Support Program. How do you see that fitting into long-term care and into the programs and the ideas that you will be hopefully advocating from the agency?

Governor THOMPSON. Thank you very much, Senator Lincoln. I am looking forward to getting to know you better, and to work with you. I would only caution you that I do not have all of the answers. I would appreciate some of your suggestions on how we can better improve the equitable distribution of the formulas, because that is a fight that is going to be very difficult. I would appreciate any concerns, any ideas.

The questions that you asked me, or will be submitted in writing, I will get back to you forthwith.

In regards to the elderly, we started a couple, I think, very successful programs in Wisconsin called the Community Options Program, where the elderly seniors are able to determine if they want to go into a nursing home, go into respite care, or stay in their own homes, and we provide a lot of services for the elderly in Wisconsin so they can stay in their own homes.

I just started a new program in about 6 to 10 counties and which is called Family Care, in which we have a central point where people can come in and access the system and where the counties buy the services and distribute them out to the elderly. So far, it is working out extremely well and I think it is going to be on one of those new programs that I would hope that the Senate, and you, particularly, would take a look at.

Senator LINCOLN. Well, I hope that we can pay particular attention because, as I have mentioned, I have been absolutely amazed that we as a Nation are not focused on this issue and this problem that is going to be devastating to us if we are not prepared for it.

Senator Grassley has worked with me, and I very much appreciate his leadership and guidance to me, on adult day care. We have been making some inquiries with GAO and some other areas about adult day care.

So I am certainly interested to see whether or not your agency is going to take an active role in the leadership of dealing with the issues of our aging population, and to what degree you are going to be progressive and excited about doing that. I will certainly look forward to working with you in the respect.

Also, on that caveat, I would just say that next year we do celebrate the 30th anniversary of the Elder Americans Act nutrition program. The program includes both congregate and home-delivered meals. I am sure you, as Governor, have traveled and delivered some of those meals, just as I have as an elected official. I certainly would like to know your interest in long-term care and what you will do to reorganize or recognize and support these types of programs.

We had a lot of difficulty last year in getting the reauthorization of the Elder Americans Act and really working towards bringing about some of these very, very vital programs to the quality of life for our aging community.

So I certainly hope that you will provide the leadership and be willing to address those concerns and put some resources and some effort in that area, because you definitely have the agency, as well as the capability, and I just hope will be more proactive in it.

Governor THOMPSON. Thank you very much, Senator.

Senator LINCOLN. Thank you, Governor.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Governor, I would like to touch on a huge, glaring problem in this country that I think many Americans are embarrassed we have not addressed, and that is the uninsured.

There are a number of Americans who are uninsured. Anecdotes really should not determine policy, but I will never forget, when I was last running for the Senate, walking across Montana, in eastern Montana. There are not a lot of people in eastern Montana.

This lady in a pick-up truck was driving by, and she saw me in her rear view mirror, she slammed on the brakes and came back. The intensity in her eyes; she had no insurance coverage, she had two kids, and she just was in an accident. A machine fell on her arm, which was not badly injured, but she knew that she could have been permanently injured. She was so fearful for herself and for her kids because she had no health insurance.

She looked me straight in the eye and she said, "Whatever you do, Max, you be sure to get more insurance coverage for me and for people like me". I will never forget it. There are a lot of other Americans in that same situation. A lot. I know you have got BadgerCare in Wisconsin, which is helpful, but we have 43 million Americans uninsured.

We are the only major country in the world without some kind of universal health insurance program. In the United States of America, at least we should be able to cover the remaining 15 percent of the population in some meaningful way. I am not saying what it is, but we have to do this.

It is kind of interesting, too. If you look back at President Bush's proposal—that is, the President-elect's father—back in 1992. He proposed a \$5,000 per family tax credit to buy health insurance. It would have cost, adjusted for inflation, \$50 billion a year, over 10 years, \$500 billion. And that was at a time when we had \$300 billion budget deficits. That was President Bush's proposal back in 1992.

It seems to me that today, in 2001 with record surpluses, we can do much better than a \$2,000 proposal for a tax credit for families, which comes out to about 6 percent of, say, the \$1.6 trillion recommended tax cut.

I know you have BadgerCare. When I read about BadgerCare, I was thinking about our mascots in Montana. We have got grizzlies and bobcats. I do not think Grizzly Care sounds right for Montana, or Bobcat Care. But, regardless, you have a State program that combines Medicaid and CHIP to help parents and kids.

My thought is some kind of a compromise here, maybe with some tax credits to help, but also expanding on some kind of a Federal basis Medicare, Medicaid, and CHIP in some way to get more people, parents and kids, insured. I would appreciate your thoughts on this issue.

Governor THOMPSON. I agree with you. I think the President-elect agrees with you, and that is why he came out with a program that was saying, give people a tax credit so they can buy health insurance in America.

I also think that what the U.S. Senate should do is allow the SCHIP program to be more flexible. The biggest problem in getting health insurance to children, is that SCHIP does not allow the parents to get health insurance at the same time.

So, without allowing the parents to enroll into the SCHIP program, you are going to, I think, prevent a lot of children from being enrolled and a lot of working poor not being able to.

The second thing is, you should allow the working poor to be able to buy into your State's Medicaid program and give them credit. If you do that, you are going to be able to expand the people that are going to be eligible for health insurance in your particular State and across America.

The CHAIRMAN. We have got to do something so any person in America knows that he or she is covered, regardless of what State he or she moves to, with some kind of uniformity.

I am not going to say that we have got to have a bright line test here, but some commonality and some uniformity, again allowing States to obviously tailor something that makes sense to their own States.

I have no further questions.

Senator Grassley?

Senator GRASSLEY. I think I am going to ask one more question, and then I will submit some to you, Governor Thompson, for answer in writing so we do not keep people here longer than absolutely necessary.

[The additional questions and answers appear in the appendix.]

Senator GRASSLEY. A large part of this committee's work and job is that of the constitutional job of oversight. This involves, of course, seeing that Federal programs within our jurisdiction are

faithfully carried out and the money is spent according to Congressional intent.

It seems to me that this role is even more critical as hundreds of new provisions in the Medicare, Medicaid, and SCHIP programs have been signed into law in the last few years.

Oversight has become a personal priority of mine during both Republican and Democrat administrations, and I think Secretary Shalala would agree that I have always tried to be fair, giving her staff notice of my oversight activities and working closely with them to find solutions.

So I would look forward to a similar partnership with you, and I would be interested in hearing any comments from you as you view the issue of Congressional oversight.

Governor THOMPSON. You have my pledge, Senator Grassley, to work with you, as Secretary Donna Shalala has, on oversight. She has mentioned very fondly of her very close working relationship with you when I went over to discuss whether or not I should come to Washington and take on this job.

I would like to continue on with that kind of partnership, and hope that we will be able to do the kind of oversight that is going to be successful, one that is going to allow States to be innovative and not smother them with too much restrictions, give them flexibility, but if they do not measure up then allow for some degree of sanctions.

Senator GRASSLEY. In regard to that latter statement, you are assuming that if the law gives that flexibility for the States.

Governor THOMPSON. If it does give the flexibility, right.

Senator GRASSLEY. Sure.

Governor THOMPSON. Yes. Absolutely.

The CHAIRMAN. Well, Governor, this concludes the hearing. In a very short while, I will be calling you Mr. Secretary. I very much look forward to working with you, and very enthusiastically, I might add.

Governor THOMPSON. Thank you.

The CHAIRMAN. I think you sensed the enthusiasm here earlier when there were more members. The hour is getting late. I see Governor Engler here, a good pal of yours here.

Governor THOMPSON. A great friend.

The CHAIRMAN. And a good friend of the Senate.

But again, I underline the opportunity for us to really make something happen and make a very successful administration out of yours. I think you will be a great Secretary, and we want to do what we can to help make that happen.

I might add, if members wish to submit written questions, they should get them to the committee staff by the close of business today.

The hearing is concluded.

[Whereupon, at 12:38 p.m., the hearing was concluded.]



APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF HON. BOB DOLE

Thank you, Mr. Chairman.

It is a distinct pleasure for me to be here with my long-time friend Governor Thompson. We both hail from the Midwest—Elroy, a small town in central Wisconsin, and Russell, a small town in central Kansas. His dad worked at a gas station, mine at a cream and egg station. Both our mothers worked to help ends meet. We both served in our state assemblies before reaching higher, statewide office. He never lost an election and that's where the similarities end.

He knows who he is, where he comes from, who he serves, and what got him here today. He works for results by advocating sound, thoughtful policies—and he works with others in a pragmatic, bipartisan way.

As your committee members know, most everything of significance that Congress does is the result of bipartisan effort. It is true of economic policy, civil rights, defense policy and it is particularly true of policies affecting our nation's health care, our elderly, and persons with disabilities . . . and the list goes on.

Governor Thompson has been ahead of the curve on almost every issue, working to get it done and to make it work. He knows that, despite the cynics, when we have the right people with the right intentions and the right policy, you get results that benefit the people.

We have worked on a number of issues together over the years. Members of this Committee know his record of working with Democrats and Republicans. He will be able to work with this Congress just as his predecessor has done.

So I am here with others to support his nomination, to testify to his character, and to assure this committee, and the American people, that we can do no better than to have Governor Thompson lead HHS.

PREPARED STATEMENT OF HON. RUSS FEINGOLD

Thank you, Mr. Chairman.

It is with great enthusiasm that I introduce my Governor and friend, Tommy Thompson, as President-Elect Bush's Secretary of Health and Human Services designate.

I want you to know whether they have always agreed with you or not, everyone in Wisconsin is proud of you today. In fact, Governor, this is the first time I will be able to vote for you and not get in trouble.

Tommy and I have known each other since our days in the Wisconsin State legislature, where he served as minority leader of the Assembly, and I served as a junior member of the Wisconsin State Senate.

Since our time together in the legislature, and during the last 18 years we have both shifted roles and responsibilities, but have continued to work together on a wide range of issues—helping Wisconsin's dairy industry, increasing access to home and community based services for the elderly and the disabled, and expanding access to health care for children and their families.

While I am sure Tommy and I would both like to talk with each committee member about the ways to help America's dairy farmers, today I will focus on other important issues that Tommy has addressed during his tenure as Governor.

Throughout my time working with Governor Thompson, he has always been willing to take on the difficult issues, using bold new approaches to get the job done.

His approach is rooted in the Wisconsin idea which values innovation above partisan gridlock or worn out approaches to problems.

Thanks to Tommy, the Nation has borrowed from the "Wisconsin Idea," mirroring many of the creative policies that we have implemented in our great state.

Perhaps the most well known way Governor Thompson is perceived to embody Wisconsin's "can do" tradition is in the area of welfare reform. We in Wisconsin can be proud that our state was the first in the nation to submit a welfare plan under the 1996 law that created the Temporary Assistance to Needy Families (TANF) program. In fact, the Wisconsin plan was submitted on the very day that President Clinton signed the TANF program into law.

Wisconsinites are also proud that the Wisconsin Idea has caused our State to rank second in the country in terms of residents covered by health insurance. Governor Thompson has worked to extend health care coverage beyond the current level by expanding health care coverage opportunities to low-income families, the disabled, and the elderly.

Two years ago, Tommy rolled up his sleeves, brought Wisconsin's "can do" attitude to the table and worked with both Republicans and Democrats to enact BadgerCare, Wisconsin's program to expand health care coverage opportunities to children and their families.

He has tirelessly promoted BadgerCare's ideals—that children have a much better chance of being healthy and doing well in school when they live in a healthy family.

When BadgerCare took effect on July 1, 1999, Wisconsin became the first state in the nation with a health insurance program that supports parents as well as children. And this program has had a number of successes—according to the most recent statistics, more than 74,000 children and their families are now covered under BadgerCare.

Tommy has also promoted measures to help Wisconsin's elderly and disabled maintain their independence by remaining in their own community.

One program that I would like to highlight is the Community Options Program, which provides cost-effective home and community based long term care alternatives to institutions and nursing homes.

No other Wisconsin program has received as much bi-partisan support as our Community Options Program.

I think we all recognize that there is a lot that needs to be done to reform our long-term care system. I believe that Tommy will use his experience as an innovator, to make it easier for States like Wisconsin to pursue their own reforms, such as making Federal long-term care waivers more flexible, and making it easier for States to apply for those waivers.

There is rightly a lot of discussion of the need for reforms to Social Security and Medicare. Long-term care is really the forgotten third leg of the stool, but it is no less important. I believe that Tommy's hands-on experience in Wisconsin will help to shape reforms in this area, and I very much look forward to working with him on these efforts.

Tommy has also recognized that we must take steps to ensure that we find innovative ways to allow those with disabilities to remain in their community and be able to enter the workforce without fear of losing key benefits. I have admired many of his proposals to provide a coordinated system of benefits to those with disabilities, and also the concept of allowing the disabled to retain certain benefits while they enter the workforce.

Governor Thompson knows that seniors in Wisconsin and around the nation need to see these problems addressed in a bi-partisan, innovative fashion. And I think that Tommy is the one to lead the charge.

As I have already told him, my door is always open to talk about any one of the many issues under his supervision at the Department of Health and Human Services. I'm sure that by the end of the confirmation process, every member will feel the same way—that Tommy will be an asset to the new administration and someone we can rely on to address the tough issues by bringing Wisconsin's "can do" attitude to Washington.

PREPARED STATEMENT OF HON. ORRIN G. HATCH

I thank the Chair, and appreciate this opportunity not only to welcome Governor Thompson to the committee but also to congratulate him on his nomination to be the Secretary of Health and Human Services.

Governor Thompson, I think the President-elect has made an outstanding choice in your selection, and I want you to know that I fully support your nomination.

Governor Thompson, you come before this committee with excellent credentials not only as a leader and manager but also as someone who has demonstrated a keen ability to tackle and resolve some very complex and controversial social and health policy issues within your state.

You have succeeded in large part because of your vision and ability to approach issues in new and innovative ways. I think the expression is: you have the ability to think outside the box. I commend you for the success you have achieved in Wisconsin. Your experience will serve you well as you address similar issues on a national level.

The Department of Health and Human Services is clearly one of the most important departments in the federal government. In some form or other, practically every American is affected by the decisions made by the Secretary of HHS. As you well know, the department has extraordinary authority over virtually every aspect of health care in our nation.

There is not a day that goes by when I don't receive a call or letter from a constituent regarding a health-related problem or issue. And, somehow or other, it always seems to involve HHS or the Health Care Financing Administration. So if I can give you one piece of friendly advice, I would counsel you to make the department more user-friendly.

Whether it's a beneficiary trying to get access to a medical service or a provider trying to get reimbursed for services, or even a state official trying to figure out HHS policy on federal health programs, I believe you have a major opportunity to make HHS more accountable and more responsive.

This issue will be particularly crucial as we consider various proposals to modernize the Medicare program with a new drug benefit as well as restructure and reorganize the manner in which Medicare is administered.

I also look forward to working with you on other equally important issues. As one of the original authors of the Children's Health Insurance Program, I am very pleased that over three million children have been enrolled so far. In my opinion, the CHIP program has succeeded because we empowered the states to have maximum flexibility to design and administer the program as they saw fit.

In addition, we must focus on providing quality and accessible health care to the nearly 40 million Americans without health insurance as well as to the poor and the disadvantaged. And, we need to improve health care for Native Americans who disproportionately suffer some of the most serious illnesses in our society.

These challenges in health policy, as well as our goals for continued success and improvement in human services programs will require strong leadership from the President-elect and from his Secretary of HHS. There is no question that you are the right guy for the job.

Governor Thompson, let me just reiterate my strong support for your nomination. I look forward to working with you and know you will be an outstanding Secretary of Health and Human Services. I wish you the best of luck.

Thank you Mr. Chairman.

PREPARED STATEMENT OF HON. HERB KOHL

It is an honor for me to be on this panel today with my colleagues, Senator Feingold and Senator Dole. And it is a rare chance for me—as it would be for anyone from Wisconsin—to introduce my friend and my Governor, Tommy Thompson, the proposed nominee for Secretary of Health and Human Services.

I mean it literally when I say this chance is rare. In Wisconsin, where Governor Thompson has presided over 14 years of opportunity and prosperity, he needs no introduction.

And here in Washington, it is no easy task to describe the Governor. Tommy Thompson defies simple characterization. In a time when politicians are jockeying to be called "bipartisan," that label does not do justice to Tommy Thompson. He is supra-partisan—above it.

In Wisconsin, he has worked nationally and locally, with Democrats and Republicans, to do whatever it takes to bring the best to the most people. For example, 91,000 families off the welfare rolls and into paying jobs. Ten thousand students kept in school with his innovative school-to-work program. Seventy-eight thousand low-income working family members covered by the health insurance they could not previously afford.

There is no doubt the Governor's voter registration says "Republican," but his methods reach across the aisle and his successes reach across the board.

As Secretary of HHS, Tommy Thompson's ideas will be bold, as they were when he pushed Wisconsin to be the first state to end the entitlement to welfare. And he

will do what it takes to make his ideas work, as he did when he marshaled State resources to give welfare families the support they needed to make the transition to productive employment.

Should Governor Thompson be confirmed by the Senate—as I know he will—I can guarantee two things. First, his ideas and methods will defy characterization. And second, his results will not. I am confident the Governor will bring to HHS, and the millions of people across this country it serves, the same thing he has brought to Wisconsin: dedication, innovation, and ultimately success.

PREPARED STATEMENT OF HON. BLANCHE L. LINCOLN

Thank you Mr. Chairman.

I am pleased to join my colleagues in welcoming Governor Thompson to this committee as the nominee for Secretary of the Department of Health and Human Services.

When I served in the House of Representatives I shared the Governor's goals of revising welfare as we knew it. I voted for welfare reform because I saw that we needed to "think out of the box" and redesign a system that would reward people for working.

I also admire the Governor for recognizing that it costs money to help people stay off welfare rolls. He has provided national leadership in spending the necessary resources for support services such as job training, child care and transportation.

Although the Governor is an expert on welfare reform, today we have an opportunity to hear from him about his priorities for the entire Department of Health and Human Services. The agency oversees programs which dramatically impact the lives and health of seniors and low-income children and their families.

Obviously, one of the most important tasks before Congress and this Committee is to work together to modernize the Medicare program. As I travel throughout my home state of Arkansas, I constantly hear from seniors who tell me how often they must choose between buying prescription drugs or paying their rent or utility bills. Our seniors deserve better than this, so like my colleagues, I am eager to hear the Governor's thoughts on prescription drug coverage and Medicare reform.

This is an exciting time. As Chairman, Senator Grassley has a long "to do" list for us on the Committee! I hope that we can be a "results oriented" Committee by working across party lines.

Governor Thompson, I thank you for being here and I look forward to hearing your vision as Secretary designee for the Department of Health and Human Services.

PREPARED STATEMENT OF HHS SECRETARY-DESIGNATE TOMMY G. THOMPSON

Mr. Chairman and members of the Committee, I am humbled and honored to be sitting before you today. I thank you for your consideration of my nomination to be President-elect Bush's Secretary of the Department of Health and Human Services.

To my friends and colleagues and the members of this committee who have extended their support and very kind words, please accept my heartfelt thanks for your kind introductions and remarks.

For those here who may not know much about me, let me give you some insight by saying this: Welfare reform. Health care reform. Long-term care for seniors. Greater opportunities for the disabled. Helping the poor find work and helping the working poor find reward in their efforts. Biotechnology and scientific research. I am passionate about these issues. And we have worked hard on them.

These are issues I have dedicated 35 years of public service to solving, the last 14 as governor of my great state of Wisconsin. And, should I be confirmed, I will dedicate the rest of my career in public service to working with you and the President-elect to address these challenges.

If we have learned anything in the past year, it is that our citizens are clamoring for action to deal with some of the most critical issues affecting their day-to-day lives. Modernizing Medicare, providing access to a prescription drug benefit, improving access to quality healthcare for all Americans, taking welfare reform to its next level—these are not partisan issues. These are issues that are fundamental to the health and well being of our country, and more importantly, to the people we serve. These are not easy tasks. But solving tough issues is why I got into this business. I know it's why President-elect Bush sought his job. And I am sure it's why each and every one of you is sitting here today.

Like the President-elect, I have spent my career bringing people together, plotting a course of action, and moving forward. In fact, the motto of Wisconsin is Forward! And I believe that is the direction I have taken my great state. Now, I hope to bring that spirit with me to Washington. I hope that we can sit down, work together regardless of party, and move this great nation forward.

The Department of Health and Human Services has enormous responsibilities. Its programs can touch every life in this country from birth through the golden years. HHS runs over 300 programs that include providing health care to our seniors, nutrition services for women and children, and groundbreaking research conducted by the National Institutes of Health. The Department is entrusted with the second largest budget in the federal government.

I know that this committee understands that well. The legislation affecting HHS that has come out of this committee has transformed the social contract in this country. The "Personal Responsibility and Work Opportunity Reconciliation Act of 1996" and "The Balanced Budget Act of 1997" were forged in this very room, and were ultimately passed with overwhelming bipartisan support.

But I'll tell you right now, if I am fortunate enough to be confirmed by this body, we've got a lot of work ahead of us, and I will be knocking on each and every one of your doors for your ideas and assistance. Let me touch briefly on some of the most pressing issues we face.

Medicare

Medicare has been firmly and permanently stitched into the fabric of American society. It is a vital component of our social contract with America's senior citizens. Our charge is to ensure its continued vitality and viability.

The first principle that we must all agree upon is that today's seniors be guaranteed the level of care and benefits they currently enjoy. But we must not stop there. Medicare is failing to meet the needs of our seniors and is not allowing them to reap the benefits of the tremendous advances in medicine and technology we are witnessing today.

We must face reality and be pragmatic. Any organization that does business the same way it did 35 years ago is obsolete. As the baby boom generation approaches retirement, even greater demands will be placed on Medicare. And I do not mean just financial demands. We see it across every agency we now live in a world of up-to-the-minute information and round-the-clock service in the private sector. We should accept no less from our government.

But our commitment to Medicare must extend to future beneficiaries as well as those who rely upon it today. While the Trust Fund will remain solvent until 2025, what happens after that? To wait for a crisis simply makes the task more difficult and is unfair to our children and grandchildren.

I know the members of this committee have taken Medicare reform very seriously in recent years. Both sides of the aisle have devoted a great deal of time and energy to studying the challenges faced by the Medicare program. The National Bipartisan Commission on the Future of Medicare made significant progress in addressing this issue. That is a good place for us to start. You have laid the groundwork. Now it's time for us to take the next bold step and begin the process of modernizing Medicare and putting it on firm financial footing.

Prescription Drugs

An integral part of a modernized Medicare will be to provide all seniors with access to prescription drugs. The great advances our nation is making in science and medicine is producing an array of life-saving drugs. But the costs of these drugs are beyond the reach of too many of our citizens, particularly seniors who need these drugs most. While comprehensive reform may take some time to achieve, the American people are demanding a prescription drug benefit today. We must move immediately to help millions of low-income senior citizens who cannot afford the life preserving prescription drugs they so desperately need.

When Medicare was created in 1965, health care was focused on hospital stays and physician visits. The world simply did not have or even envision the drugs that are now substitutes for surgery. Access to these drugs can save and improve the quality of countless lives. President-elect Bush made this a top priority in his campaign and it will be a top priority in his Administration. I know this is a top priority for members of this committee as well, so I am eager for the opportunity to work with you in solving this problem quickly and effectively.

Access to Quality Healthcare

As we found in Wisconsin, lack of access to affordable health care is a serious problem, especially for the working poor. Although personal health care expendi-

tures now exceed \$1.3 trillion or 13 percent of our gross domestic product, more than 42 million Americans are still uninsured. That is unacceptable.

As far back as when I was in the state legislature, I started thinking about the role government should play to help those folks out there working hard for minimum wage, supporting their families, and who just couldn't afford health insurance. When I was elected Governor, I worked closely with the legislature to develop a new approach to solving this problem. The result is BadgerCare, a program that provides health care for low-income working families who make too much money to qualify for Medicaid, but can't afford insurance on their own. Over 77,000 people were enrolled in this program by the end of 2000. And it has helped us maintain our status as one of the best states in the nation providing health coverage for its citizens, as 94% of Wisconsinites currently have health insurance. The success of this program is one my proudest achievements as governor.

Now, is BadgerCare the answer for everyone? I would like to think so, but the truth is, there is no cure-all for every issue that government faces. But it underscores the potential for a bold new, partnership between the federal government and state governments, and the tremendous good that can come from better teamwork between the two governments. What we need to do is allow states to take the lead and develop exciting, innovative programs that work for their citizens, and hold them accountable for the results. We must encourage innovation and reward success, but we must also recognize that the needs of Madison are fundamentally different than the needs of Los Angeles. Throwing up roadblocks and stifling creativity will only hurt the people we most want to help.

Now don't get me wrong. I'm not saying the federal government should just step aside and cede all authority and power over these programs to the states. It shouldn't. The federal government plays an important role in overseeing federal programs and the use of federal taxpayer dollars. But the federal government does not need to be heavy-handed or locked into a one-size-fits-all solution. The federal government can be more trusting of states and more open and willing to work with them in solving problems.

The federal government should give states the flexibility to develop programs that meet those high standards in a manner that is efficient and cost-effective. And the federal government should hold states accountable in exchange for greater flexibility, and step in when states aren't measuring up to expectations. Giving states greater flexibility under the State Children's Health Insurance Program (S-CHIP) is part of this solution.

This philosophy is one I have advocated for years, as many of you know. But it is one that forges a stronger partnership between the state and federal government for solving tough societal problems more effectively. Building these partnerships can help us achieve success in reforming our welfare and Medicaid systems.

We must also preserve the private health insurance market and work with states to put health insurance within reach of working families through a series of commonsense measures to increase the affordability and the availability of insurance. President-elect Bush made this a cornerstone of his campaign, proposing measures that will allow small employers to band together to enjoy the same economies of scale that larger employers enjoy and providing tax credits to low-income families to assist them in purchasing private health coverage. Furthermore, it is critical we do not ignore those who are most vulnerable and without access to care. The medically underserved who live in our inner cities and rural communities often lack access to basic primary care. We must strengthen our health care safety net by supporting our community health centers and forging public-private partnerships to assist our hospitals and providers who serve these communities.

Workforce Development

Another task we will face, should I be confirmed, is the reauthorization of the "Personal Responsibility and Work Opportunity Reconciliation Act of 1996." People refer to this as welfare reform, but we didn't reform the old welfare system. We replaced it with something entirely new.

The changes to the welfare system that I began in Wisconsin and that has spread throughout the country, has been the single most effective job program we have seen. I don't have a Welfare Department in Wisconsin. I have a Department of Workforce Development.

Before we embarked on changing welfare in Wisconsin, I had a luncheon at the Governor's Residence with the very people whom the programs were intended to serve—mothers who were on welfare.

I asked them what the major barriers to leaving welfare were and we set out to design the program around their major needs. Our program, called Wisconsin Works or W-2, provides the support necessary for individuals to enter the workforce. For

those who still need assistance, we provide financial and employment planners, transportation assistance, job access loans, childcare assistance, and access to health care.

I have always said—as loudly and publicly as I can—that for welfare reform to be successful, you have to make an investment up front. It can't be done on the cheap. The savings to taxpayers—and they are substantial savings—come on the backend as public caseloads decline. Perhaps nowhere has the public payoff for a taxpayer investment been more evident than in the fundamental changes we have made to the welfare system in this country.

As an example of the success, I'd like to share a portion of the most moving letter I have received congratulating me on my nomination. It came from a woman I first met at a luncheon at the residence. Leilani Duarte wrote, "W-2 has enabled people to better their lives and to support their families . . . Thank you Governor Thompson for the creation of the W-2 program and believing in me." That is the most important action we have taken to date—believing that those we are serving can succeed.

But now it's time to consider the next steps in this process. We must face head on the huge challenges faced by those still receiving direct benefits. As you know, these are often the people with significant health problems or people struggling with substance abuse. We must make a concerted effort to reach these people and provide compassionate, caring assistance.

And we also have a duty to those families who have successfully moved into the workforce. We must do everything in our power to help them continue to move up the ladder of economic success.

Another important step is to sound the call to recruit what President-elect Bush has called the "armies of compassion." Faith-based communities are closest to those who have the most need of government services. Serving these communities is a responsibility that can and should be shared to reach the greatest number of people in the most compassionate and effective way. Many of these efforts are not just about offering a program or service but about transforming lives.

One lesson we have learned in Wisconsin from the changes to the welfare system is that government alone can't help families succeed. It takes the concentrated effort of government, employers, educators, family and friends, churches and the community.

Public Health and Science

The federal government has always played a central role in protecting the health of the nation. The roots of the Public Health Service can be traced back to 1798 when steps were taken to stop the spread of disease from seaport to seaport. As America faced different public health crises throughout its history, new agencies with new missions were created to protect the public and prevent the spread of disease.

Medical science stands at the threshold of research advances not even imagined just a decade ago. Government has played a critical role in supporting basic research and science to unlock the mysteries of the human body.

We are in a new age of discovery. What is inside of us is as wondrous and awe-inspiring as the universe. Each day brings us ever closer to the scientific breakthroughs that are the keys to preventing and treating a host of diseases affecting patients and their families including, cancer, AIDS, Parkinson's disease, and mental illness. To fuel this research, President-elect Bush has pledged to complete the goal of doubling the budget of the National Institutes of Health by 2003. The investment we make in basic and clinical research is a commitment we must fulfill to improve the lives of all Americans.

We also must strive to bring greater focus and resources to reduce the health disparities that persist in this country for minority and underserved communities. Great disparities continue to exist in health outcomes and life expectancy for too many in this country. We must continue making strides in the fight to improve women's health by pursuing comprehensive strategies that foster research, education, and access to care for women and their children. Cardiovascular disease and breast cancer remain as leading causes of death among women in this country. Osteoporosis is a major public health threat for more than 28 million Americans, 80% of whom are women. Rates of childhood asthma, obesity, and diabetes have risen alarmingly. All too often, these disparities can be dramatically reduced through targeted research, education, and prevention efforts. I will work to reduce these disparities in my tenure at the Department of Health and Human Services and to implement the laws passed by Congress this past year to improve women's health, foster minority health research, and support children's health research and prevention programs.

Improving the Quality of Health Care

Improving the health of Americans also means protecting their rights to quality health care. Often we find that progress comes with a price. As health care has become more advanced and complex, it brings concerns about rising costs, availability of medical care, reducing medical errors, and protecting the privacy of patient medical information. We have placed competing demands on patients, providers, and payers. Managing care brings benefits to individuals and the system as a whole. But patients deserve to have rights in the health care system and to know they will receive high quality care that is available to them when they need it most.

In our states, President-elect Bush and I have both acted to support patients' rights to the treatment they need and to allow medical decisions to be made by patients and their doctors. We must be careful not to override the good work of states like Texas and Wisconsin. If confirmed, I will work with President-elect Bush to bring our experience to help forge a bipartisan agreement on managed care legislation that ensures patients receive medically necessary treatment and allows them to hold health plans accountable when they are denied medical care. Patients should be assured of a meaningful and appropriate remedy when they are wrongly denied care. We must also be mindful not to drive up health care costs by the pursuit of unnecessary lawsuits, particularly against employers who voluntarily offer health coverage to millions of Americans. I look forward to working with the members of this committee and the President-elect on reaching an agreement on this legislation this year.

Reforming the Department

We have much work to do on programs that currently exist. But in addition to the programs, the Department itself must be reformed to address the needs of its clients in the 21st Century.

As many of you know, I have spent much of my career fighting the bureaucracy in Washington. Wisconsin has sought more waivers from federal programs than any other state. Now, it's time for me to put up.

If I am confirmed, I will make sure the Department always places the highest priority on serving its many constituents—families, children, seniors, patients, the disabled, providers, and states. I will work to streamline the maze of rules and regulations that these constituencies face when seeking assistance from their federal government.

In all my years as Governor, I have never stopped asking if we are doing things the best way. And, if confirmed, I won't stop now. The retort: "Because that's the way it's always been done" is not acceptable to me.

One clear example is the Health Care Financing Administration. HCFA's role has been continually expanded over the last several years, charged with administering increasingly complex programs. HCFA faces tremendous demands and challenges as an agency, administering a budget estimated to reach \$340 billion in FY 2001 to provide health care for more than 70 million Americans.

But patients and providers alike are fed up with excessive and complex paperwork. Rules are constantly changing. Complexity is overloading the system, criminalizing honest mistakes and driving doctors, nurses, and other health care professionals out of the program. HCFA needs a thorough examination of its mission, the competing demands, and the available resources. HCFA is called upon time and again to face new challenges. We need to assure that as an organization, it has the tools it needs to succeed.

Conclusion

It is inspiring to see a leader in President-elect Bush who isn't afraid to call all of us to action on a bipartisan basis as we address these difficult problems. A leader who recognizes that government alone can't reduce poverty or solve societal ills. It takes all of us working together as partners, including the faith community.

If you should see fit to approve my nomination, it will be an honor to serve the President and work with you as we aggressively seek to make the lives of millions of Americans better, and restore hope and opportunity for those who have been left behind in this great country.

As I've always said: a person of compassion is one of action, not words. Compassion means being bold and caring enough to act to solve societal problems. Therefore, I respectfully seek your confirmation of my nomination so I can begin working with President-elect Bush and you to tackle problems facing the citizens of America. This is going to be a time of action in America, and I would be proud to be a part of it.

SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE

A. BIOGRAPHICAL INFORMATION

1. **Name:** (Include any former names used.)

Tommy G. Thompson

2. **Position to which nominated:**

Secretary of the Department of Health and Human Services.

3. **Date of nomination:**

Official nomination pending the swearing in of the President-elect.

4. **Address:** (List current residence, office, and mailing addresses.)

- Executive Residence: 99 Cambridge Road, Madison, Wisconsin 53704.
- Elroy Residence: 609 Academy Street, Elroy, Wisconsin 53929.
- Governor's Office: State Capitol, Room 115 East, P.O. Box 7863, Madison, Wisconsin 53707.

5. **Date and place of birth:**

November 19, 1941. Elroy, Wisconsin

6. **Marital status:** (Include maiden name of wife or husband's name.)

Sue Ann Thompson. Maiden name is Mashak.

7. **Names and ages of children:**

- Kelli S. Thompson-Iglar, 31.
- Tommi N. Thompson, 30.
- Jason T. Thompson, 26.

8. **Education:** (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)
 - University of Wisconsin Law School - Madison, August 1963 - May 1966. Juris Doctor awarded May 1966.
 - University of Wisconsin - Madison, August 1959 - May 1963. Bachelor of Science awarded May 1963.
9. **Employment record:** (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)
 - Governor, State of Wisconsin, Madison, Wisconsin, January 1987 - present.
 - Attorney at Law, Thompson, Inc. (formerly Thompson & Schuh), Mauston, Wisconsin, July 1966 - December 1986.
 - State Representative, State of Wisconsin, Madison, Wisconsin, January 1967 - December 1986.
 - Captain, United States Army Reserve, Madison, Wisconsin, October 1968 - November 1976.
 - Private First Class, National Guard, Madison, Wisconsin, October 1966 - October 1968.
 - Summer Law Clerk, Wisconsin Physician's Service, Madison, Wisconsin, 1966 - 1966.
 - Law Clerk, State Senate Sergeant at Arms Office, Madison, Wisconsin, 1963 - 1965.
10. **Government Experience:** (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)
 - Chairman of the Board, National Railroad Passenger Corporation, September 1998 - present.
 - Member of the Board, National Railroad Passenger Corporation, June 1998 - September 1998.
 - Member of the Board, National Railroad Passenger Corporation, May 1990 - September 1994.
 - Member, Juneau County Board of Supervisors, 1971 - 1974.

- Export-Import Bank Advisory Committee, 1999 – present.
 - Trade Policy Advisory Committee, Office of U.S. Trade Representative, 1992.
11. **Business relationships:** (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

BUSINESS INTERESTS

- Thompson-Martin Partnership, Elroy, WI. I am a General Partner. (I own a farm with my sister that is rented out).
- Schraufnagel-Thompson Partnership, Wilton, WI. I am a General Partner. (I own a piece of cropland that is rented out).

NON-PROFIT ORGANIZATIONS

As Governor, I have had an opportunity to serve on a variety of non-profit boards. To the best of my recollection, the following represents the list of organizations of which I am a board member:

Inter-American Dialogue

Address: 1211 Connecticut Avenue, NW, Suite 510
Washington, D.C. 20001
(202) 822-9002

Position: Member, 1998 to Present
From/To: 1998 to Present

Forum of Federations - International Advisory Committee

Address: 325 Dalhousie
Ottawa, ON K1N 7G2 Canada
(613) 244-3360

Position: Member, 1998 to Present
From/To: 1998 to Present

Jobs for America's Graduates

Address: 1729 King Street, Suite 200
Alexandria, VA 22314-2720
(703) 684-9479

Position: Member, Board of Directors, 1997 to Present
From/To: 1997 to Present

Council of Great Lakes Governors

Address: 35 East Wacker Drive
 Suite 1850
 Chicago, IL 60601

Position: Member, Board of Directors

From/To: 1987 to Present

The Council of State Governments

Address: 2760 Research Park Drive
 P.O. Box 11910
 Lexington, KY 40578-1910
 (859) 244-8000

Position: Chairman, 1999

From/To: 1987 to Present

National Governor's Association

Address: Hall of States
 444 North Capitol Street
 Washington, D.C. 20001-1512
 (202) 624-5300

Positions: Chairman, 1995 to 1996

Vice-Chair, 1994 to 1995

Member of Executive Committee, 1994 to Present

From/To: 1987 to Present

Governor's Ethanol Coalition

Address: P.O. Box 95085
 Lincoln, NE 68509
 (402) 471-2867

Position: Chairman, International Committee, 1997 to Present

Chairman, Board of Directors, 1995

From/To: 1987 to Present

Midwest Governors Association

Address: 641 East Butterfield Road, Suite 401
 Lombard, IL 60148
 (630) 810-0210

Position: Member, 1987 to Present

From/To: 1987 to Present

Republican Governors Association

Address: 310 First Street, SE
 Washington D.C. 20003
 (202) 863-8587

Position: Chairman, 1992
 Vice-Chairman, 1991

From/To: 1987 to Present

NGA Center for Best Practices

Address: 444 North Capitol Street
 Washington, D.C. 20001-1512
 (202) 624-5300

Position: Chairman, 1996 to 1997

From/To: 1996 to 1998

National Board of Professional Teaching Standards

Address: 1525 Wilson Boulevard, Suite 500
 Arlington, VA 22209

Position: Member, Board of Directors, 2000 to Present

From/To: 2000 to Present

Achieve, Inc

Address: 400 North Capitol Street, NW, Suite 510
 Washington, D.C. 20036
 (202) 624-1460

Position: Co-Chairman, 1996 to Present

From/To: 1996 to Present

National Education Goals Panel

Address: 1255 - 22nd Street, NW, Suite 502
 Washington, D.C. 20037-7590
 (202) 724-0015

Position: Chairman, 2000

Member, Board of Directors, 1995 to Present

From/To: 1995 to Present

Education Commission of the States

Address: 707 17th Street, Suite 2700
 Denver, CO 80202-3427
 (303) 299-3600

Position: Commissioner, 1987 to Present

From/To: 1987 to Present

Center for Clean Air Policy

Address: 705 First Street, NE, Suite 940
 Washington, D.C. 20002
 (202) 408-9260

Position: Member, Board of Directors
 From/To: 1998 to Present

National Dialogue on Cancer

Address: P.O. Box 49669
 Atlanta, GA 30359
 (800) 830-1827

Position: Member, Early Detection Priority Team, 1997 to Present
 Collaborating Partner, 1997 to Present
 From/To: 1997 to Present

Welfare to Work Partnership

Address: 1250 Connecticut Avenue, Suite 610
 Washington, DC 20036
 Phone: (202) 955-3005

Position: Co-Chairman, Advisory Counsel, 1997 to Present
 From/To: 1997 to Present

Horatio Alger Association

Address: 99 Canal Center Plaza, Suite 320
 Alexandria, VA 22314
 (703) 684-9444

Position: Member, Board of Directors
 From/To: 1999 to Present

Export-Import Bank Advisory Committee

Address: 811 Vermont Ave., NW
 Washington, DC 20571
 (202) 565-3946

Position: Member, Advisory Committee, 1999 to Present
 From/To: 1999 to Present

National Railroad Passenger Corporation (Amtrak)

Address: 60 Massachusetts Avenue, NW
 Washington, D.C. 20002
 (202) 906-3960

Position: Chairman, 1998 to Present
 Member, Board of Directors, 1990 to 1994
 From/To: 1990 to 1994, 1998 to Present

Governors Bio-Tech Coalition
Arlington, VA

Children First CEO America
Address: 901 McClain Road, Suite 802
P.O. Box 330
Bentonville, AR 72712
Position: Member, Advisory Board
From/To: 1999 to Present

Automotive Youth Educational Systems (AYES)
Address: 2701 Troy Center Drive
Suite 450
Troy, MI 48084
Position: Member, Board of Directors
From/To: 1998 to Present

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

- Mauston Moose Lodge.
- St. Patrick's Catholic Church, Elroy, Wisconsin.
- State Bar of Wisconsin.
- Sun Prairie Masonic Lodge.
- Union Center Knights of Columbus.
- Madison Elks Club

13. Political affiliations and activities:

a. List all public offices for which you have been a candidate.

- Juneau County Board of Supervisors - 1971, 1973.
- United States Congress - 1979*.
- State Representative - 1966, 1968, 1970, 1972, 1974, 1976, 1978, 1980, 1982, 1984.
- Governor - 1986, 1990, 1994, 1998.

*I have been successful in all of my campaigns for public office, except my 1979 bid for the United States Congress.

- b. **List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.**

As Governor of the State of Wisconsin and as a former state representative, I have played an important role in Wisconsin politics for the last 34 years. I am a member of the Republican Party and, as the highest-ranking Republican official in the State of Wisconsin, I am the informal head of the Republican Party in Wisconsin. During the last ten years, I have often assisted fellow Republican candidates, at the state and federal level, in their efforts for election. My assistance has included speeches at events and fundraisers, formal endorsements, and assistance in the media.

During the most recent presidential campaign, I endorsed and actively supported President-elect Bush. My support included speeches at events, assistance in the media, and work as an advisor.

Although it would be nearly impossible to document every role I have played in the last 10-years assisting political parties or election committees, some of the major roles I have played include:

- Chairman of the National Republican Platform Committee. (2000)
- Chairman of the Wisconsin Bush-Cheney Campaign (2000)
- Honorary Chairman of Lawyers for Bush (2000)
- Chairman of the Wisconsin Dole-Kemp Campaign (1996)
- Chairman of the Wisconsin Bush-Quayle Campaign (1992)
- Chairman of the Republican Governors Association (1992)

- c. **Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.**

The following contributions were made by my campaign committee, Thompson for Wisconsin:

• 2000	Cecil Underwood for Governor	\$1,000.00
• 1991	Friends of Bob Thompson	\$1,000.00
• 1990	Committee to Elect a Republican Senate	\$5,000.00
• 1990	Republican Assembly Campaign Committee	\$5,000.00

14. **Honors and Awards:** (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

During my time as a State Representative and as Governor, I have been honored for a variety of achievements. Below is a representative listing of some of the honors I have received:

1986

- | | |
|--------------------------------|-----------------------------|
| • Best of Madison – Legislator | Madison Magazine |
| • President's Award | WI Chiropractic Association |

1987

- | | |
|------------------------|--|
| • God's Country Award | WI Hospitality, Recreation & Travel Assoc. |
| • Honorary Member | WI National Guard |
| • Honorary Plank Owner | Battleship WI Association |
| • Honorary Member | Distributive Education Clubs of America |
| • Honorary Membership | Wisconsin Alumni Association |

1988

- | | |
|--------------------------------------|--------------------------------------|
| • Patriotism Award | The Reserve Officers Association |
| • Honorary Member | Civil Air Patrol |
| • Charter Member of the Hall of Fame | International Snowmobile Racing |
| • Honorary Lifetime Membership | Viterbo Business Association |
| • Sterling Rose Award | AIDS Resource Center of Wisconsin |
| • Image Award | Community Youth Development Org. |
| • Honorary Council Membership | WI Vietnam Veterans Memorial Project |

1989

- | | |
|---------------------------------------|-----------------------------------|
| • Commanders Award for Public Service | Department of the Army |
| • Honorary Lifetime Member | NE WI Quality Improvement Network |
| • Honorary Membership | Wisconsin Counties Association |

1990

- | | |
|-------------------------------------|-----------------------------------|
| • Best State Politician | Madison Magazine |
| • Honorary Doctor of Laws Degree | Carthage College |
| • Honorary member – Medallion Club | Badger State Games |
| • Honorary Blackbelt | World Taekwondo Federation |
| • Public Official of the Year Award | WI Manufacturers & Commerce |
| • State Foresters Award | |
| • Leadership Award | University of Southern California |

1991

- | | |
|---|---|
| • Best State Politician | Madison Magazine |
| • Conservation Patron Award | Fort Atkinson Wisconsin Conservation Club |
| • Most Valuable Public Official | City & State Magazine |
| • Honorary Doctor of Laws Degree | Concordia University |
| • Honorary Doctor of Business & Economics | Milwaukee School of Engineering |

1992

- Free Enterprise Man of the Year
- Honorary Member
- Honorary Membership
- SIR Award

- Man of the Year
- Award for Lifelong Learning

WI Associated Builders & Contractors
 WI State Fire Chiefs Association
 WI Ethnic Settlement Trail, Inc.
 Association of General Contractors of
 Greater Milwaukee
 Community Youth Development Org.
 National Governor's Association

1993

- Outstanding Leadership Award
- Distinguished Achievement Award
- Innovations Award
- Award for Development and
and Promotion of International Trade
- Wisconsin Award – for service

Metropolitan Builders Assoc. of Milwaukee.
 Vietnam Veterans of America
 Council of State Governments
 WI World Trade Center

Independent Business Association

1994

- Certificate for Meritorious Service
- Distinguished Leadership Award
- Excellence in Economic Development
- Innovations in State/Local Govt'
- Spirit of America Award
- Person of the Year
- State Official of the Year
- Wisconsin Manufacturers of the Year
- Qualifications Based Selection Award
- Honorary Lifetime Membership

USS Cobia
 World Cultural Communication Association
 Racine Economic Development Corp.
 Harvard JFK School of Government
 National Grocers Association
 Justinian Society of Lawyers
 National Association of Home Builders

Professional Engineers in Private Practice
 Dairy Shrine

1995

- WI Sports Person of the Year
- Marvin M. Black Excellence
in Partnering Award
- Top Ten State for Child Care

Bob Costas
 Association of General Contractors of
 America
 Working Mother Magazine

1996

- Public Service Award
- Man of the Year
- Best Local Politician
- Honorary Texan
- Distinguished Service to Agriculture

Anti-Defamation League
 Madison Magazine
 Madison Magazine
 State of Texas
 Wisconsin Farm Bureau Federation

1997

- Honorary Membership
- Economic Development
Award
- Lighthouse Award
- Standing Ovation award
- Honorary Membership
- Image Award

Leaders Forum
 Greater Milwaukee Civic Appreciation Achievement
 Committee
 Kenosha Taxpayers, Inc.
 Greater Milwaukee Convention & Visitors
 Bureau
 WI Builders Association Board of Directors
 Community Youth Development Org.

1998

- The "Good Scout" Award
- Friend of Wisconsin Jewish Community Award
- Master Mettle Award
- Presidents Award
- Thomas H. Keane Governor of the Year Award
- Governor's Donor Award
- Telly Award
- Founder's Award

Boy Scouts of America
Wisconsin Jewish Conference

Council of Small Business Executives
NGAUS
Columbia University

2nd Harvest Food Bank of WI
WI Organ Donor Program
Jobs For America's Graduates

1999

- Economic Policy Award
- Innovations in American Govt'
- Engineer Champion
- Outstanding Public Official
- Clean Energy Leadership Award
- Innovations In American Govt' Winner - Wisconsin Works

African American Chamber of Commerce
Harvard JFK School of Government
Wisconsin Society of Professional Engineers
American Subcontractors Association
RENEW
Harvard JFK School of Government

2000

- Glass Ceiling Award
- Americanism Award
- Honorary Police Officer
- Standing Ovation Award
- ACE Award
- Les Aspin Public Service Award
- Honorary Superintendent
- Parental Empowerment Award

Women Executives in State Government
Young Republican National Federation
Village of Hazel Green, WI
WI Prof. Speaker's Association
Ally of Cooperative Electrification
Marquette University
Wisconsin State Patrol
CEO America

15. **Published writings:** (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

As Governor for fourteen years and as a former-State Representative for twenty years, I have written innumerable works that have been published. While I have been Governor, each week I write a column that is published in newspapers throughout the state. Below is a representative sample of recent publications. Articles published in general statewide newspapers, and not available outside of Wisconsin, are attached. Please see Attachment B.

<u>Title</u>	<u>Publisher</u>	<u>Date</u>
Problem Isn't the Kids	New York Times	12/8/00 (Louis Gerstner co-Author)
Welfare Reform Rolling	State Newspapers	4/7/00
Gift of Life	State Newspapers	7/24/00
Invest Tobacco Settlement	State Newspapers	10/25/99
Home Ownership for Disabled	State Newspapers	6/4/99
Fathers Role in Child Raising	State Newspapers	5/14/99
Don't Punish Success	USA Today	9/21/98 (Gov. O'Bannon co-Author)

Health Plan to Aid Poor	State Newspapers	12/27/98
Expanded Women's Health Care	State Newspapers	2/9/97
Deadbeat Parents	State Newspapers	1/12/97
WI Welfare Reform	State Newspapers	5/18/97
Don't Work, Don't Get Paid	USA Today	5/28/96
Power to the People	Harper Collins	1996
Stick with Block Grants	USA Today	12/21/95
Learnfare, Not Welfare	USA Today	12/19/89

16. **Speeches:** (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)

As Governor, I have given innumerable speeches during the past five years. I have attached all of my formal State of the State speeches, which gives a representative sampling of my speeches (Please see Attachment C). Additionally, should the committee wish access to additional speeches, my major speeches are accessible at <http://www.wisgov.state.wi.us/news.asp>. Also, the following individual speeches are attached (Please see Attachment D):

1. Signing of W-2 (1996)
2. Governor's Summit on Community and Youth (1999)
3. 14th Annual Robert W. Baird Governor's Forum (1999)
4. Welfare to Work Partnership Conference (1999)
5. 15th Annual Robert W. Baird Governor's Forum (2000)
6. Remarks at the Gift of Life Ceremony (2000)

Finally, I have attached a representative summary of my press releases (Please see Attachment E).

17. **Qualifications:** (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

The primary responsibility of any public servant, and especially a governor, is recognizing and serving the needs of constituents, in my case, the very diverse needs of more than five million people. In listening and working with disparate groups over the last 14 years, we have built the longest sustained era of success in Wisconsin history by looking forward and working together.

In Wisconsin, we have undertaken bold and innovative projects since 1987, from job creation to education reform to many of the social programs that fall under the jurisdiction of the Department of Health and Human Services. My administration developed Wisconsin Works, which became the model for welfare reform across the nation. We created BadgerCare, a first-in-the-nation program to provide health insurance for the working poor that also has become a national model. We also created the groundbreaking Family Care program to provide long-term care for the elderly and

disabled and Pathways to Independence to help ease the transition into the workforce for our disabled residents. Our organ donation program is second to none. I am passionate about these issues and will bring that same innovative spirit to the issues and challenges before the Department of Health and Human Services.

As a longtime governor, I recognize the strengths and weaknesses in the relationship between the federal government and the states. I also recognize the importance of government leaders working with and listening to people with differing viewpoints. My favorite accomplishments in Wisconsin came when we built bipartisan coalitions to help the greatest number of people as possible. I will bring that same approach to the Department of Health and Human Services to build consensus and accomplish our goals.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. **Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.**

If I am confirmed, prior to assuming office, I will resign from my position as Governor of the State of Wisconsin. During my service to the State of Wisconsin, I have accrued substantial pension benefits. Also, I accrued substantial sick leave credits, which may be applied to purchase health insurance, once I retire. Additionally, I have a deferred compensation account. I plan to retain those benefits during my employment with the federal government.

Furthermore, during my tenure as Governor, I have been associated with a variety of non-profit, non-governmental organizations. If I have the honor to be confirmed by the Senate, I will sever my ties to those organizations as required by the Office of Government Ethics. Finally, I intend to maintain my ownership interest in all land partnerships and businesses.

2. **Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.**

No.

3. **Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.**

No.

4. **If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.**

Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. **Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.**

The Office of Government Ethics (OGE) will forward to the Committee a signed-copy of my ethics agreement. A number of my stock holdings have been determined to present a potential conflict of interest. I plan to divest of those holdings as required by OGE.

2. **Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.**

None.

3. **Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.**

As Governor of the State of Wisconsin for fourteen years and as a legislator for an additional twenty years, I have participated in innumerable activities, which have influenced legislation and effected the administration and execution of law or public policy. As a representative sample, I have enclosed all of my budget addresses since becoming Governor (Please see Attachment F). My budget addresses provide a picture of my legislative priorities during each period. If the committee would like a complete copy of my budget bills, I would be pleased to provide them. However, the bills are several thousand pages each.

Additionally, should the committee seek further information, the state legislature keeps an accurate list of bills signed from 1995 to present. Those laws can be accessed and read on the following Internet site: <http://www.legis.state.wi.us>.

4. **Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.)**

I will resolve all potential conflicts of interest as recommended by the Office of Government Ethics and the Designated Ethics Officer at HHS. In particular, I plan to divest of all stock holdings that present a conflict of interest.

5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.

This section will be complied with directly by the Designated Ethics Officer at the Department of Health and Human Services and by the Office of Government Ethics.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

Please see the attached letters from the State of Wisconsin Ethics Board, the Wisconsin Supreme Court's Office of Lawyer Regulation, the Department of Regulation and Licensing, the Wisconsin Elections Board and the Federal Elections Commission. Please see Attachment G.

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

The Dane County District Attorney once investigated an assertion by Then State Senator Lynn Adelman that I had committed an ethics violation related to a commercial plane upgrade. As the attached correspondence indicates, the Dane County District Attorney determined that no violation occurred. Please see Attachment H.

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

In my official capacity as Governor of the State of Wisconsin, I have been involved in innumerable civil lawsuits. I am often named as the defendant in prisoner lawsuits and in other complaints against general state action. Due to the volume of cases in which I am a named party, below is a representative sample of lawsuits in which I have had involvement:

<u>Case Name</u>	<u>Decision</u>	<u>Case #</u>	<u>Description</u>
• <u>MTA v. Thompson</u>	9/9/99	98 CV 1903	Legality of Charter School Program.
• <u>Libertarian Party v. Thompson</u>	4/9/96	95-3114-OA	Legality of Stadium District

- CUB v. Klauser and Thompson 6/30/95 94-1519-OA Legality of Partial Veto
- Risser v. Thompson 6/14/88 87-1750-OA Legality of Partial Veto
- Republican Party and Thompson v. Elections Board 5/25/84 82-C-113 Reapportionment

In my personal capacity, in 1986, Walter Baritsky sued me in Juneau County Circuit Court alleging a variety of causes of action related to a divorce proceeding in which I represented his estranged wife. The suit was dismissed. Also, in my personal capacity, during the time that I actively practiced law from 1966 to 1986, on a few occasions, I initiated collection actions against clients who did not pay their legal bills.

4. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense? If so, provide details.

No.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

No answer.

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

As a former legislator who served twenty years in the Wisconsin Assembly, I have a great respect for the legislative process and understand the importance of providing timely and accurate information to legislative bodies. As Governor, I am proud of the positive working relationships I have with legislators of both parties. I have great respect for the Congress of the United States and, if confirmed by the Senate, would consider it an honor to appear and testify before any duly constituted committee of Congress as requested.

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

If the Senate confirms me, I will provide accurate information requested by congressional committees in an expeditious manner.

RESPONSES TO QUESTIONS FROM SENATOR BAUCUS

Question: Although the number of uninsured Americans fell last year—for the first time since 1987—I am concerned that over 15% of the U.S. population lacks health insurance coverage. Several ideas have been proposed recently to reduce the ranks of the uninsured, including tax credits and expansions of Medicaid and SCHIP.

A study released last year showed that a \$4,000 per family tax credit, twice the size of President-Elect Bush's proposal, would only reduce the uninsured by about 7 or 8 million people, leaving another 35 million or so uninsured. And Dr. Mark Pauly, an expert in this field, said last week that the Bush proposal would need to cover at least 50% of the cost of a basic policy to make a significant dent in the number of uninsured.

What are your views on program expansions as a means for reducing the number of uninsured Americans? Given your success in expanding BadgerCare in Wisconsin, do you think it makes sense to expand programs like Medicaid and SCHIP to reduce the number of uninsured Americans?

Answer: As we found in Wisconsin, lack of access to affordable health care is a challenge that we all face. I, too, am concerned that over 15% of the population does not have access to health insurance coverage. Reducing that number will be one of my top priorities at the Department of Health and Human Services.

As you know, when I was elected Governor, I worked closely with the legislature to develop a new approach to solving this problem. The result is BadgerCare, a program that provides health care for low-income working families who make too much money to qualify for Medicaid, but can't afford insurance on their own. Over 77,000 people were enrolled in this program by the end of 2000, which has helped us maintain our status as one of the best states in the nation providing health coverage for its citizens, as 93% of Wisconsinites currently have health insurance. The success of this program is one of my proudest achievements as governor.

However, BadgerCare is not the only option. There are several proposals that I would like to discuss further with you and other members of Congress including, but not limited to:

Expansions of Medicaid and SCHIP. BadgerCare is essentially an expansion of SCHIP to allow for coverage of entire families. Several other states are also experimenting with this model. The federal government should give states the flexibility to develop programs that meet high standards it sets in a manner that is efficient and cost-effective. In exchange for greater flexibility, the federal government should hold states accountable and step in when states aren't measuring up to expectations. Giving states greater flexibility under the State Children's Health Insurance Program (SCHIP) is part of this solution.

Support for Small Business. President Bush has proposed measures that will allow small employers to band together to enjoy the same economies of scale as larger employers. This is particularly important since most first time employees find work in small businesses.

Tax Credits. President Bush has also proposed providing tax credits to low-income families to assist them in purchasing private health coverage.

Other measures. It is critical we do not ignore those who are most vulnerable and without access to care. The medically underserved who live in our inner cities and rural communities often lack access to basic primary care. I look forward to working with you to strengthen our health care safety net by supporting our community health centers and forging public-private partnerships to assist our hospitals and providers who serve these communities.

Question: In 1999, you signed legislation for \$19.4 million in "pass-through" payments to home care aides working in the Wisconsin Medicaid program. This legislation was intended to facilitate recruitment and retention of these workers by increasing their pay.

In Montana, nurses' aides provide most of the direct resident care in nursing facilities. But because of high turnover rates and low morale, qualified aides are increasingly scarce in Montana. Last year HCFA reported that over half of the nation's 17,000 nursing homes lack staffing levels high enough to provide patients quality care.

What, in your view, can the Federal government do to induce nursing facilities to recruit and retain sufficient staff? What are your thoughts on President Clinton's five-year, \$1 billion initiative to improve staffing levels and patient care in nursing homes?

Answer: The shortage of healthcare workers is one of the greatest challenges we face, particularly as we face the retirement of the baby-boom generation. We must make every effort to attract and retain high-quality workers to this field.

In Wisconsin, we have taken steps to raise awareness of nursing as a profession. These include several launched by the University of Wisconsin system to encourage youth to enter the nursing profession and to provide distance learning opportunities for those in rural areas, and far from University campuses. I look forward to learning about the best practices from around the country and sharing that information with you and your colleagues.

I also look forward to reaching out to my colleagues at the Department of Labor to discuss the types of work-training that initiatives are currently being pursued, as well as those we can work on jointly. I look forward to working with you to discuss what other steps we can take to encourage and support nurses and other health care workers.

Question: The Critical Access Hospital program was created by the Balanced Budget Act of 1997 to ensure continued access to hospital services in rural and fron-

tier America. What experience have you had with this program in Wisconsin? Should the current program's eligibility criteria be expanded to include more rural hospitals or are the current eligibility criteria adequate?

Answer: As a Governor of a state with a significant rural population, I too am concerned with the state of rural health care in America. The demographics of our rural population show that its inhabitants are both older and poorer than their urban counterparts. In 1998, 18.4 percent of the rural population was over 65 years old as compared to 15 percent of the urban population. In 1999, the poverty rate in rural areas was 14.3 percent, as opposed to 11.2 percent in urban areas. However, nowhere is the rural-urban disparity more prevalent than in our reimbursement for Medicare services. For example, in 1996, the last year for which there is comparative data, Medicare paid an average of \$4375 per beneficiary in rural areas, as compared to \$5288 in urban areas.

Rural health care leaders such as you have attempted to remedy this situation. As you mentioned, the Balanced Budget Act of 1997 created a nationwide limited service rural hospital project entitled the Medicare Rural Hospital Flexibility Program, which established a permanent hospital payment classification certified for Medicare reimbursement called "Critical Access Hospitals." These hospitals are limited service facilities with flexible staffing and service requirements.

In Wisconsin, we have begun using grant money in Wisconsin to reconfigure Critical Access Hospitals to specialize in emergency care. That way, these rural hospitals can handle the first few hours of a life-threatening injury and then transfer patients to larger regional medical facilities that have more staff and equipment. This has helped ensure the continued viability of these rural hospitals.

As Secretary of Health and Human Services, I look forward to working with you to ensure that our rural health care safety net, including Critical Access Hospitals and other programs, is preserved and strengthened.

Question: The Health Insurance Portability and Accountability Act of 1996 and the Balanced Budget Act of 1997 have changed the health care regulatory landscape dramatically in recent years. And although all providers must comply with these regulations, I believe that rural facilities' smaller staffs and fewer resources may make it difficult for them to comply as easily as urban providers can. What will you do to ameliorate the problems rural providers face in keeping compliance with these new regulations?

Answer: While the HIPAA legislation provided beneficiaries with the ability to move from job to job without fear of losing their health insurance coverage, the regulations surrounding its implementation have been problematic for some of our largest providers, let alone our smallest. Regulatory relief and reform, especially with respect to those regulations issued by the Health Care Financing Administration (HCFA) will be one of my highest priorities at the Department. I pledge to work with all hospitals, physicians, and other providers to alleviate some of the regulatory burdens that have been imposed by the Department in recent years.

Question: Along the same lines of the previous two questions, more than three in four Montana Medicare beneficiaries live in a rural area. Hospitals in these areas are very often integrated delivery systems, providing inpatient and outpatient services; skilled nursing care; home health care; and physician services. While these facilities were formerly paid based on reasonable costs, the Balanced Budget Act of 1997 required that all of these services be paid on a prospective basis.

The Critical Access Hospital program was established in the same year to provide regulatory and financial relief to facilities in extremely rural areas, though only for hospital services. Last year I introduced legislation to provide cost-based payment for home care services in similarly isolated areas, to ensure that access to home care in rural areas remains. (Montana now lacks home care in three of its 56 counties, comprising an area of more than 23,000 square miles.)

Would you support cost-based reimbursement for the delivery of services other than hospital care in extremely rural areas? Are there other ways to address the "special needs" of rural health care providers, those living with high fixed costs and relatively low volume? Further, can you reassure me that any Medicare reform proposals the Bush Administration puts forth will not jeopardize access to care for rural patients?

Answer: As I have previously stated, as a former Governor I am particularly familiar with the needs of Medicare beneficiaries who live in the rural areas of our country. The disparity in Medicare payments coupled with the extra logistical problems in these isolated areas makes the burden of delivering health care services particularly acute.

As we begin our work on strengthening and preserving a Medicare system for current and future beneficiaries, the issue of how to compensate providers adequately and fairly in rural areas will be a top priority. Some of the frustration that our rural

providers currently experience is due in part to antiquated reimbursement formulas that are based on the 1965 model of delivering health care services. While these have been many attempts to remedy this situation over the years, in many cases it has only made the system more complicated and cumbersome.

I look forward to working with you and other members of Congress who are from rural areas to ensure that any plans that go forward contain solutions to your concerns.

Question: The Clinton administration recently issued new regulation to protect patients' medical records. These regulations prevent doctors, hospitals and health plans from releasing medical records without patient consent. Also, patients have a right to access, copy and request corrections in their medical information if it is inaccurate or incomplete.

Do you feel these new regulations adequately protect the privacy of patients? Do you believe the loophole allowing pharmaceutical companies, hospitals and for-profit clinics to use medical records in marketing campaigns should be closed?

Answer: In the era of advanced medical technology and information systems, the issue of protecting sensitive patient medical information has been a growing concern for patients, providers, and many other stakeholders who deal with medical information. We must assure patients that sensitive information about their personal health will be used appropriately and protected against abuse, while at the same time ensuring appropriate access to information for providers of health care services and others who perform vital functions requiring health care information.

One of the first actions the new Administration will undertake is an evaluation of the policy implications for protecting patients' privacy and the financial and administrative impact of the final regulation. We will examine the comments and concerns we have heard regarding the strength of the patient protections and the feasibility of enforcing the regulation. For example, we will need to assess the necessary administrative steps and financial costs associated with implementation of the regulation on Medicare, Medicaid, S-CHIP, FEHBP, other federal health programs, and the private sector health care market. We must do everything we can to protect patients' privacy, but the last thing we want is to impose unintended consequences and huge costs that will make it virtually impossible for anyone to comply.

I look forward to working with this committee in the discussions and examination of the implementation of the final regulation. It will also be through this process that we will examine the need for and elements of a comprehensive federal law on medical privacy.

Question: Currently, the co-payment for Medicare Part B outpatient services is 20%. However, the co-payment for mental health services is substantially higher, at 50%. What is your reaction to this disparity between Medicare's coverage for physical and mental health services, and do you think that it should be corrected?

Answer: The disparities between physical and mental health co-payments that you cite are a clear indication of the need for fundamental reform and a modernization of the Medicare program. One of the goals of our reform effort should be simple, equitable treatment of services covered by the Medicare program. I look forward to working with you on this and other issues that will be involved in our discussions of Medicare Reform.

Question: Congress is extremely leery of price controls for prescription drugs. But how can we afford 15% increases in prescription drugs every year, and enact a viable Medicare benefit? The pharmaceutical industry claims that their products save money by avoiding more expensive forms of treatment, yet we see hospital, physician, and outpatient costs increasing also. What can we do to provide a meaningful drug benefit that doesn't break the bank?

Answer: The President and I support modernizing the Medicare system so that every senior has access to a Medicare plan with a prescription drug benefit. Ninety-eight percent of the health plans offered in this country have some kind of prescription drug benefit. And so should Medicare.

Our Medicare modernization plan is based on the highly successful Federal Employees Health Benefit Program where Members of Congress and their staff have a wide range of plans from which to choose. Every single one has a prescription drug benefit.

We also realize, however, that Medicare modernization will take some time. During the campaign, President Bush supported a program called "Immediate Helping Hand" which helped low-income seniors and all seniors with high drug costs. Some members have expressed their concerns with this interim, block grant approach. I want to assure you that I will listen and take your concerns into account.

What we must not do, however, is lose sight of the goal of modernizing the Medicare program so that seniors have access prescription drugs. I look forward to working with you and your staff to achieve this important objective.

Question: Aside from the amount of subsidy, much of the controversy over prescription drugs surrounds the issue of who should administer a new drug benefit—private insurers, States or pharmacy benefit managers. Assuming Congress enacts a Medicare drug benefit, what are your thoughts on how it should be best administered?

Answer: This is another issue that points to the importance of modernizing the Medicare program. As we work to develop access to a drug benefit for seniors, we must not lose sight of the goal of modernizing the Medicare program. The administration of any such drug benefit will necessarily depend on the form it takes. As we discussed at the hearing, the Health Care Financing Administration (HCFA) already faces enormous challenges administering the programs currently under its purview. We must take that into consideration as we work together to modernize the Medicare program.

Question: In November 1999, the Institute of Medicine released a report estimating that between 44,000 and 98,000 Americans die each year due to so-called "medical errors." These errors, which the IOM estimates cost up to \$2.0 billion annually, include mistakes in dispensing medications to a patient or misreading the results of a diagnostic test. What do you believe we can do to reduce the number of medical errors in the U.S.?

Answer: The issue of—and solution to—medical errors, as outlined by the Institute of Medicine Report, will receive great attention in my office. Clearly, this will take a collaborative effort with our doctors, hospitals, and other medical providers to ensure that the medical error rate is dramatically lowered. I believe my role as Secretary of Health and Human Services will be to coordinate this effort, and the Department should act as a clearinghouse for practical solutions and remedies.

It is my understanding that the Department, through the Agency for Healthcare Quality and Research, has already begun investigating the best way to address this problem. However, while these studies are taking place, the medical community has already begun employing several high-tech initiatives, such as filling a prescription with a handheld computer to reduce human error, and low-tech initiatives, such as requiring that new physicians take a handwriting class, to begin remedying this situation. In addition, hospitals are upgrading their information technology infrastructure so that pharmaceuticals and biologics can be more efficiently stored, tracked, and processed for patient use.

I look forward to working on this pressing issue and will, of course, welcome your thoughts on guidance as we move ahead.

Question: The Actuary's Office in HCFA has interpreted report language from the Balanced Budget Act of 1997 to allow them to provide independent assistance to Members of Congress, without regard to political party and without requiring the request to be processed and approved by the Office of Management and Budget (a process that can delay response time and politicize the request). Can you give me your assurance that the independent actuaries in OACT will still be permitted to provide such assistance?

Answer: As in all matters, I intend this Department respond equally to everyone, no matter their political affiliation. I will also respect the traditional independence of the actuaries at HCFA. As we both heard at my hearing, HCFA is faced with increasingly complex demands, without the attendant resources to perform those functions. I look forward to working with you and your staff to assure that HCFA has the resources it needs to perform all of the functions it has been assigned.

Question: Next year, Congress will reauthorize the 1996 welfare reform law. Could you elaborate on your answer from today's Finance Committee hearing regarding your thoughts on the most important issues that we will be discussing during reauthorization in 2002?

Answer: As you know, I am passionate about welfare reform.

In 2002, we will have to consider the next steps in this process. While welfare reform has been enormously successful in moving families from dependence to independence, we still face many challenges. There are still families receiving direct benefits. As you know, these are often the people with significant health problems or people struggling with substance abuse.

But we also must work to help those families who have successfully moved into the workforce continue to move up the ladder of economic success. As I discussed in my hearing, there are several components that are vital to the success of Wisconsin Works (W2), and I believe any welfare reform effort. Mothers who are going to work must have access to healthcare, to safe childcare, to job training and transportation.

I have always said that for welfare reform to be successful, you have to make an investment up front. It can't be done on the cheap. The savings to taxpayers—and they are substantial savings—come on the backend as public caseloads decline. Per-

haps nowhere has the public payoff for a taxpayer investment been more evident than in the fundamental changes we have made to the welfare system in this country. Another important step is to sound the call to recruit what President-elect Bush has called the "armies of compassion." Faith-based communities are closest to those who have the most need of government services. Serving these communities is a responsibility that can and should be shared to reach the greatest number of people in the most compassionate and effective way. Many of these efforts are not just about offering a program or service but about transforming lives.

Question: Many members of the Finance Committee represent primarily rural states. The challenge of moving welfare recipients to work can be different outside of big cities and their suburbs. Jobs can be few in number and transportation to and from work can be quite difficult without the public transit available in metropolitan areas.

Please discuss your view of the particular difficulties associated with welfare reform in rural America and how we can overcome them during the TANF reauthorization process.

Answer: I agree that we need to make special efforts to ensure that welfare reform works in rural areas as well as urban. This has been a challenge in Wisconsin, and I will play special attention to it as Secretary. I look forward to hearing your thoughts on this issue and working with you to develop innovative solutions to the special challenges faced by rural communities.

Question: In Montana, unfortunately, many of those in poverty are members of Indian tribes. The 1996 welfare reform law gave tribes the ability to operate their own welfare programs, which I think will help.

As Governor, how have you worked with tribes in Wisconsin and will you, as HHS Secretary, commit to consulting with tribes about how to reform welfare in Indian Country?

Answer: In fact, in Wisconsin at our Department of Health and Family Services, we have a Native American liaison whose role is to work with us on issues affecting the sovereign nations. I recognize both the independence of the tribes and that close consultation and coordination is important. I continue to be willing to work closely with tribes as Secretary.

Question: Welfare reform has led to an impressive number of welfare recipients leaving the rolls for jobs, especially in states like Wisconsin. However, it does appear that many—the percentage varies by study and location—of these mothers remain at or below the poverty line, despite the fact they are now employed. Some may even be worse off, if support services such as child care are unavailable or unsubsidized.

Would you agree that we need to do our best—through the EITC, child care help, and transportation aid—that families who leave welfare for work escape poverty as well? That it's important to "make work pay"?

Answer: An integral part of welfare reform, and clearly the next step we need to focus on when reauthorizing the program is not just moving people off the rolls, but helping them locate and retain jobs and continue to move up the economic ladder of success. Our commitment to former welfare recipients should not end when they walk out our door.

Question: The Welfare-to-Work Partnership is an impressive organization, a coalition of employers, small and large, who employ former welfare recipients. Without the cooperation of the business community we will never be able to move families off welfare and onto the road to self-sufficiency. I understand you have been one of the governors advising the Partnership. The Partnership's August report on continuing the momentum of welfare reform contained many useful recommendations, including making sure that former welfare recipients who are now working in low-wage jobs take advantage of other governmental support, such as child care. Please discuss your relationship with the Partnership. Can we assume that you will, as HHS Secretary, consider the recommendations contained in the August report?

Answer: I have long been a supporter of welfare-to-work partnerships. One lesson we have learned in Wisconsin from the changes to the welfare system is that government alone can't help families succeed. It takes the concentrated effort of government, employers, educators, family and friends, churches and the community.

Question: One other program we have jurisdiction over here at the Finance Committee is child support. As you well know, it is important to make sure that absent parents support their children. Wisconsin has been a leader here as well, including a "pass through" policy, under which all child support monies collected go to families, instead of being kept by the government.

Last year we nearly passed legislation to encourage states to follow Wisconsin's lead. Would you as HHS Secretary support such a child support "pass through" bill to simplify child support distribution rules and make them more pro-family?

Answer: We have worked extensively on this issue in Wisconsin, and our collections are up dramatically. I hope that now we can work together on this at the national level. I agree that it is important we find ways to make absent parents pay child support. I also believe that we must be careful not to place any new mandates on states, but instead set high goals and reward positive results.

Question: One aspect of your Wisconsin record is a substantial expansion of child care subsidies, especially to help welfare recipients take and keep jobs.

Please describe how you see the role of child care subsidies as part of a welfare reform strategy. Don't you agree that additional federal funding for child care would help states continue the success of welfare reform?

Answer: The welfare reform law greatly simplified child care administration by cutting red tape and giving states one major program that could be used for all types of care. The welfare reform law also increased funding for child care by \$4.5 billion over 6 years. In addition, the law allows states to transfer money from the Temporary Assistance for Needy Families (TANF) program to child care; so far, this provision has allowed states to spend another \$3 billion on child care.

As Governor I increased state investments in child care from \$11 million in 1986 to over \$200 million annually. We have expanded child care subsidies, reduced the assets limit test for child care, increased child care for parents with disabled children, and reduced the maximum child care co-payment. I believe there has to be child care money to support working families, but given the major new investments by the federal government, states must assume more responsibility than they have in the past.

States are not fully using the flexibility in the welfare law to transfer up to 30% of the TANF block grant into the child care development block grant (CCDBG). Over FY 1997-FY 1999, less than 8% of TANF funds were transferred into CCDBG. Federal law now restricts states to transferring a maximum of 30% of their TANF funds into the child care block grant. We may also want to consider whether to increase this restriction to something above 30%.

I look forward to working with you and your staff on this important issue as we begin to discuss the reauthorization of PRWORA.

Question: There has been an increased discussion in Congress about ways to help low-income non-custodial parents reconnect with their children and meet their child support obligations. Last year, the House passed, on an overwhelming basis, legislation to provide grants to support such "fatherhood" programs. President-Elect Bush has also proposed such funding, as has our colleague Senator Bayh.

From your experience in Wisconsin, discuss the importance of low-income, non-custodial fathers in welfare reform. What are some ways we can help encourage them, or require them, to do better for their children?

Answer: Government's traditional answer to the absence of fathers from the lives of children has been to focus on child support enforcement. And with good reason. Any man who fathers a child should be financially responsible for that child. While fathers must fulfill their financial commitments, they must also fulfill their emotional commitments. Dads play indispensable roles that cannot be measured in dollars and cents—nurturer, mentor, disciplinarian, moral instructor and skills coach, among other roles. The presence of a committed, involved father in the home contributes directly to better school performance, reduced substance abuse, less crime and delinquency, fewer emotional and other behavioral problems, less risk of abuse or neglect, and lower risks of teen suicide.

Supporting fathers should never be taken as ignoring the heroic work that mothers, both married and single, do everyday to help their children achieve their full potential. This initiative is not about diminishing the role of moms, but about honoring and supporting the often-overlooked role of dads.

To promote responsible fatherhood, during the campaign, President Bush supported initiatives that give \$185 million over five years in competitive grants to strengthen fatherhood and combat father absence. In addition, he pledged to provide an additional \$185 million in competitive grants to community and faith-based organizations that strengthen the role of fathers in the lives of families. The U.S. Department of Health and Human Services, working in cooperation with the states, will award such grants to community and faith-based organizations.

The Bush Administration will also provide \$5 million to establish a national clearinghouse of information about effective fatherhood programs, launch a national public education campaign to promote fatherhood, and offer consultation and training to community-based groups that want to implement local fatherhood programs.

Finally the Administration will also provide \$10 million to establish a multi-city demonstration project to show the potency of father-focused efforts to increase marriage rates, strengthen parenting skills, boost fathers' income, and engage in other activities that help families.

Question: The manner in which HCFA coverage policies are determined often seems, at best, uncoordinated. One example is HCFA policy with regard to Actinic keratosis (AK), where coverage policies vary widely in their scope and impact in different areas of the country. Can you assure us that you will work with us on coverage policy questions, including considering whether there is sufficient information available to issue a national Medicare policy on the destruction of AK lesions?

Answer: I look forward to working with you on the coverage policy concerns you raise. Variation of HCFA's coverage policies is an issue that makes it difficult and confusing for providers and patients. I am committed to working with you on this important issue.

RESPONSES TO QUESTIONS FROM SENATOR GRASSLEY

Question: Governor, as you know, an important issues for us here in Washington is finding ways to reduce the nearly 44 million uninsured in this country. I understand that in Wisconsin you've had tremendous success in this area by pursuing a number of different strategies, including the BadgerCare program. I recently learned that Wisconsin ranks second in the country for having the highest percentage of its residents covered by health insurance—which is an impressive 94% of Wisconsinites who have health coverage. Could you share with us your experience and what lessons it might hold for us at the federal level?

Answer: Just as it is in Wisconsin, lack of access to affordable health care is a challenge that we all face. I am concerned that over 43 million Americans do not have access to health insurance coverage. Reducing that number will be one of my top priorities at the Department of Health and Human Services.

As you know, when I was elected Governor, I worked closely with the legislature to develop a new approach to solving this problem. The result is BadgerCare, a program that provides health care for low-income working families who make too much money to qualify for Medicaid, but can't afford insurance on their own. Over 77,000 people were enrolled in this program by the end of 2000, which has helped us maintain our status as one of the best states in the nation providing health coverage for its citizens, as 93% of Wisconsinites currently have health insurance. The success of this program is one my proudest achievements as governor.

However, BadgerCare is not the only option. There are several proposals that I would like to discuss further with you and other members of Congress including, but not limited to:

Expansions of Medicaid and SCHIP. BadgerCare is essentially an expansion of SCHIP to allow for coverage of entire families. Several other states are also experimenting with this model. The federal government should give states the flexibility to develop programs that meet high standards it sets in a manner that is efficient and cost-effective. In exchange for greater flexibility, the federal government should hold states accountable and step in when states aren't measuring up to expectations. Giving states greater flexibility under the State Children's Health Insurance Program (SCHIP) is part of this solution.

Support for Small Business. President Bush has proposed measures that will allow small employers to band together to enjoy the same economies of scale as larger employers. This is particularly important since most first time employees find work in small businesses.

Tax Credits. President Bush has also proposed providing tax credits to low-income families to assist them in purchasing private health coverage.

Other measures. It is critical we do not ignore those who are most vulnerable and without access to care. The medically underserved who live in our inner cities and rural communities often lack access to basic primary care. I look forward to working with you to strengthen our health care safety net by supporting our community health centers and forging public-private partnerships to assist our hospitals and providers who serve these communities.

Question: Governor, one way you built your impressive reputation here in Washington was through your tireless work on welfare reform. I had the honor to work closely with you on this issue in 1996. Under your leadership, Wisconsin designed and enacted welfare reform where work—not welfare—was the centerpiece. Your state's successful "Wisconsin Works" model established new and improved standards and paved the way for national reform. Looking back at your experience in Wisconsin, what guiding principles should we follow as we prepare to reauthorize the Temporary Aid to Needy Families program next year?

Answer: As you know, I am passionate about welfare reform.

In 2002 we will have to consider the next steps in this process. While welfare reform has been enormously successful in moving families from dependence to independence, we still face many challenges. There are still families receiving direct ben-

efits. As you know, these are often the people with significant health problems or people struggling with substance abuse.

But we also must work to help those families who have successfully moved into the workforce continue to move up the ladder of economic success. As I discussed in my hearing, there are several components that are vital to the success of Wisconsin Works (W2), and I believe any welfare reform effort. Mothers who are going to work must access to healthcare, to safe children, to job training and transportation.

I have always said that for welfare reform to be successful, you have to make an investment up front. It can't be done on the cheap. The savings to taxpayers—and they are substantial savings—come on the backend as public caseloads decline. Perhaps nowhere has the public payoff for a taxpayer investment been more evident than in the fundamental changes we have made to the welfare system in this country.

Another important step is to sound the call to recruit what President-elect Bush has called the “armies of compassion.” Faith-based communities are closest to those who have the most need of government services. Serving these communities is a responsibility that can and should be shared to reach the greatest number of people in the most compassionate and effective way. Many of these efforts are not just about offering a program or service but about transforming lives.

Question: Governor Thompson, I'm very impressed with your efforts in Wisconsin to make your state programs more responsive to your citizens. Clearly at the federal level, we struggle with lack of efficiency and responsiveness within the Health Care Financing Administration, especially given the size and number of programs being managed. Can you share with us your experiences with HCFA and offer suggestions on how we might achieve more effective management and delivery of benefits?

Answer: As Governor of Wisconsin, I have had a long history with the Health Care Financing Administration (HCFA). In fact, Wisconsin has sought more waivers from the Department of Health and Human Services than any other state.

One of my highest priorities as Secretary will be to make sure the all parts of the Department—including HCFA—place the highest priority on serving its many constituents—families, children, seniors, patients, the disabled, providers, Congress, and states.

I heard from many Senators, both during my hearings and in visits before, that we must address the efficiency and responsiveness of the HCFA. We must start, however with the recognition that HCFA's role has been continually expanded over the last several years, charged with administering increasingly complex programs. HCFA faces tremendous demands and challenges as an agency, administering a budget estimated to reach well over \$350 billion in FY 2001 to provide health care for more than 70 million Americans.

But patients and providers alike are fed up with excessive and complex paperwork. Rules are constantly changing. Complexity is overloading the system, criminalizing honest mistakes and driving doctors, nurses, and other health care professionals out of the program.

HCFA needs a thorough examination of its mission, the competing demands, and the available resources. We need to assure that HCFA has the tools it needs to succeed.

Question: Governor Thompson, rural health is a major concern for myself, and for many others on this Committee. Clearly a “one-size-fits-all” approach to any health care issue can result in rural beneficiaries being left behind. Can you comment on these concerns and offer suggestions on how to avoid alienating rural communities and their health care needs?

Answer: As a former Governor of a state with a significant rural population, I too am concerned with the state of rural health care in America. The demographics of our rural population show that its inhabitants are both older and poorer than their urban counterparts. In 1998, 18.4 percent of the rural population was over 65 years old as compared to 15 percent of the urban population. In addition, poverty is more widespread in rural areas. In 1999, the poverty rate in rural areas was 14.3 percent, as opposed to 11.2 percent in urban areas. Nowhere is this disparity more prevalent than in our reimbursement for Medicare services. For example, in 1996 Medicare paid an average of \$4375 per beneficiary in rural areas, as compared to \$5288 in urban areas.

As we begin our work on strengthening and preserving a Medicare system for current and future beneficiaries, the issue of how to compensate providers adequately and fairly in rural areas will be a top priority. Part of the frustration that our rural providers are currently experiencing is due in part to antiquated reimbursement formulas that are based on the 1965 model of delivering health care services. While

there have been many attempts to remedy this situation over the years, in many cases it has only made the system more complicated and cumbersome.

In addition, we have begun using grant money in Wisconsin to reconfigure Critical Access Hospitals to specialize in emergency care. That way, these rural hospitals can handle the first few hours of a life-threatening injury and then transfer patients to larger regional medical facilities that have more staff and equipment. This has helped ensure the continued viability of these rural hospitals.

I look forward to working with you and other members of Congress who are from rural areas to ensure that any plans that go forward contain solutions to your concerns.

Question: Governor Thompson, your innovative Family Care program is a cost-effective and consumer-oriented approach to long-term care for elderly and disabled persons. When it comes to long-term care, Wisconsin is certainly in the forefront. I'm sure you know that many of us here have championed tax deductions for long-term care insurance, and tax credits for family caregivers as a means of addressing growing long-term care demands. In your view, should tax incentives be on the national menu of options for addressing the increasing long-term care needs of our elderly? Are there other options we might also consider?

Answer: As you know from your extensive work in this area, we are facing a crisis in financing for long term care. By 2030, when the last of the Baby Boom generation reaches retirement, the number of individuals aged 65 or older is estimated to double from 35 million to nearly 70 million.

Most private health insurance plans, however, do not cover long-term care needs, and Medicare covers only short-term, skilled nursing home care following hospitalization. Medicare also limits the coverage of home care to those who need rehabilitative services or physical therapy. As a result, most long-term care costs are currently met through the federal Medicaid program and out-of-pocket expenditures. In fact, public funds pay for 62 percent of nursing home costs, while 31 percent comes from out of pocket funds.

So I think we should consider putting as many options—including tax incentives on the national menu as we can.

For example, in Wisconsin we have developed the Family Care program. Family Care will provide individualized care based on a maximum number of choices and will allow families to receive care in their homes as long as possible. The program is built upon consumer choice and one-stop shopping for services. Families will get individual counseling on how to design the long-term care program that best suits the needs and desires of their loved ones.

Wisconsin is seeking federal waivers for Family Care that will allow Medicaid money to pay for home-based services, not just care in nursing homes.

Under Family Care, which is a voluntary program, disability resource centers help people make informed choices about receiving long term care by providing advice on their options. Once an individual completes initial screening, is found eligible for Family Care and expresses a desire to participate, resource centers help the individual enroll.

In addition, in May 2000, President Bush announced his plan to make long term care insurance more affordable and a proposal to ease some of the burdens of taking care of a loved one at home. Specifically, he supported:

- Allowing a 100% above-the-line tax deduction for long-term care insurance premiums. Everyone will be eligible for the deduction, except for those who already receive employer-subsidized coverage; and
- Establishing an additional exemption currently valued at \$2,750, for each elderly spouse, parent, or relative that a caregiver tends to in his or her home.

I look forward to working with you on this important topic.

RESPONSES TO QUESTIONS FROM SENATOR HATCH

Question 1: What steps will you take as Secretary to ensure that your office is more directly involved with numerous policy decisions made and administered by agencies such as FDA?

Answer: I am aware that some Members of Congress have been concerned about some actions taken by the FDA. Please know that as the President and I begin to consider candidates for the position of FDA Commissioner, we will take your concerns into account and pay particular attention to candidates' management skills.

Question 2: What steps will you take to ensure that consumers and taxpayers will continue to benefit from the extraordinary savings attributable to generic drugs and that the FDA does not act as an impediment to the entry of generics to the marketplace?

Answer: I agree that the emergence of new generic drugs on the market can lead to enormous savings in drug costs and I believe that the potential for new generics are particularly good over the next few years with the numbers of key drugs coming off patent. I have no reason to believe that consumers will not continue to benefit as they have from the emergence of more generic drugs. If you feel otherwise, please contact me and elaborate on your reasons for concern.

Question 3: As Secretary, what steps will you take to ensure that these two important provisions are administered so that we as a nation can realize the benefits of both?

Answer: The drug exclusivity provisions of Hatch-Waxman and those of the pediatric labeling provisions of the FDA Modernization Act are rather complicated. However, I understand your concerns that these two exclusivity extensions be administered in a way to preserve the incentive and intent of both provisions. In the January 2001 Report to Congress on the Pediatric Exclusivity Provision, the FDA states that the 6 months of exclusivity will be added to any of the sponsor's listed patents or previous non-expired grants of exclusivity on drug products containing the active moiety that was studied. I look forward to working with your office to ensure that the provisions as enacted are appropriately implemented.

Question 4: Utah is home to numerous medical device manufacturers. These companies have told me it can take anywhere from 15 months to 5 years or longer for HCFA to approve a new medical technology. I am extremely concerned about these delays and want to work with you on ways to expedite and streamline this process administratively and legislatively. I would be interested in your thoughts on this issue.

Answer: One of my highest priorities as Secretary will be to make sure all parts of the Department—including HCFA—place the highest priority on serving its many constituents—families, children, seniors, patients, the disabled, providers, Congress, and states.

I heard from many Senators, both during my hearings and in visits, that we must address the efficiency and responsiveness of HCFA. We must start, however with the recognition that HCFA's role has been continually expanded over the last several years, charged with administering increasingly complex programs. HCFA faces tremendous demands and challenges as an agency, administering a budget estimated to reach well over \$350 billion in fiscal year 2001 to provide health care for more than 70 million Americans.

I too am concerned about the complex processes that overload HCFA and decrease access to the benefits of the advances in medicine and technology. I look forward to working with you to examine and propose solutions in order to streamline and make this process more efficient to meet the health care needs of our Medicare beneficiaries.

Question 5: As you know, the Health Care Financing Administration has come under increasing criticism for its administration of the Medicare program. In some ways, HCFA has an impossible task: ensuring that the government-run health plan keeps up with the rapid pace of change in health care delivery. This is particularly difficult with regard to advances in medical technology, biotechnology and pharmaceuticals. At times, it appears that there is a disconnect between HCFA and companies that are developing innovative new products and that is troublesome to me. What thoughts do you have on this matter?

Answer: Access to innovation and the advances in medical technology, biotechnology and pharmaceuticals is a priority for me as Secretary. We must first agree that today's seniors must be able to benefit from the tremendous advances in medicine and technology that we are witnessing today and will continue to witness in the future. A system that ensures positive and effective communication between both HCFA and the companies developing innovative new products is a system that can bring Medicare into this new era of health care. In the end, it will benefit our elderly and disabled population ensuring adequate and effective health care.

Question 6: Should delays in the Health Care Financing Administration's approval process result from lack of stakeholder input, what would you do to foster a more collaborative relationship between the private sector and HCFA?

Answer: One of my highest priorities as Secretary will be to make sure all parts of the Department—including HCFA—place the highest priority on serving their many constituents, that includes stakeholders.

If the delays in HCFA's approval process are a result of little or no stakeholder input and a more collaborative relationship between the stakeholder and HCFA would improve processes, I think increasing collaboration between the stakeholder and HCFA should be pursued seriously. I will work with all those called to action to achieve more effectiveness in HCFA's approval process.

BadgerCare

Question 7: How will programs such as BadgerCare help us provide health coverage to the medically uninsured nationwide?

Answer: As Governor, I worked closely with the legislature to develop a new approach to solving the problem of the lack of access to health insurance coverage in Wisconsin. The result is BadgerCare, a program that provides health care for low-income working families who make too much money to qualify for Medicaid, but can't afford insurance on their own. Over 77,000 people were enrolled in this program by the end of 2000, which has helped us maintain our status as one of the best states in the Nation providing health coverage for its citizens, as 93 percent of Wisconsinites currently have health insurance. The success of this program is one of my proudest achievements as Governor.

BadgerCare is essentially an expansion of SCHIP to allow for coverage of entire families. Several other states are experimenting with this model. The Federal Government should give states the flexibility to develop programs that meet high standards it sets in a manner that is efficient and cost-effective. In exchange for greater flexibility, the Federal Government should hold state accountable and step in when states are not measuring up to expectations. Giving states greater flexibility under SCHIP is part of this solution.

Additionally, states should allow the working poor to be able to buy into their Medicaid program and give them credit. If states do this, they will expand the number of their citizens who will be eligible for health insurance.

Long-Term Care

Question 8: Another issue that is of interest to me is long-term care. I understand that Wisconsin has a program that gives assistance to the elderly, thus, allowing them to remain in their homes instead of having to live their final days in nursing homes. Could you talk about the long-term care initiatives in your state and how they've worked?

Answer: In Wisconsin, we have developed the Family Care program. Family Care will provide individualized care based on a maximum number of choices and will allow individuals to receive care in their homes as long as possible. The program is built upon consumer choice and one-stop shopping for services. Families will get individual counseling on how to design the long-term care program that best suits the needs and desires of their loved ones.

Under Family Care, which is a voluntary program, disability resource centers help people make informed choices about receiving long term care by providing advice on their options. Once an individual completes initial screening, is found eligible for Family Care and expresses a desire to participate, resource centers help the individual enroll.

Disabled Populations

Question 9: In Utah, I have formed an advisory council that briefs me on issues affecting the disabled community. We speak to members of the council on a monthly basis and they keep me updated on issues impacting the disabled population of Utah.

I understand that in Wisconsin, there is a program that you created called Pathways to Independence which assists disabled individuals in finding employment and then provides assistance with health care (through Medicare and Medicaid) and housing. Will you elaborate on the program?

Answer: I am very proud of the Wisconsin Pathways to Independence Program (WPTI). Pathways is a partnership between people with disabilities, business and government. Through this Program a disabled individual can receive a comprehensive collection of services that, taken together, are designed to remove or reduce barriers to employment for persons with severe disabilities. A key feature of the approach is the co-ordination of all of these services through a single organization. Another important feature of the program is the requirement that persons with disabilities occupy a "seat at the table."

I also believe that the President's initiative—the New Freedom Initiative—that was sent to Congress earlier this month takes a similar approach. I look forward to working with you and your colleagues on this initiative.

Organ Donation

Question 10: As one of the original sponsors of the 1984 National Organ Transplant Act, I am so impressed with your state's remarkable accomplishment and was wondering if you had thoughts on how we could increase organ donations nationally?

Answer: We will move in the first 100 days to launch a national campaign to raise awareness of organ donation in this country. There is a waiting list of at least 70,000 individuals in America that need an organ. I believe that successful organ donation programs like those currently in place in states like Wisconsin and New Jersey could serve as models to other states.

Instead of spending time on divisive issues like redistribution of organs, I hope we can grow the number of donors. As Governor, I tried to articulate a vision for more individuals to be recognized and to be involved in giving organs. One day a year, I held a ceremony to award a "Gift of Life" medal to the families who have lost a loved one, but have given the gift of life to others by giving the organs of their loved one. This gave recipients and me the opportunity to thank the families and recognize their contribution.

If we enact similar campaigns to raise awareness of organ donation, I think we can grow the number of donors and supply the needs of all Americans.

State Programs

Question 11: Many times, states are seen more or less as laboratories on various health issues. We've learned a lot by providing states the flexibility to provide health care to their residents. Your state of Wisconsin is the perfect example—you've brought your welfare numbers down, you've helped disabled individuals get jobs, you've helped senior citizens stay in their homes instead of being sent to nursing homes and you have the highest organ donation rate in the United States. How do you take these lessons learned from the states and implement them into national policy?

Answer: Wisconsin, as well as other states, has been very successful in expanding access to health care and implementing community based programs that meet the diverse needs of its vulnerable citizens. I certainly will be looking at the format of these programs to see if they might be transformed into national programs. However, as I have always said I am not certain that a one size fits all approach is always the best way to proceed. What works in Wisconsin may not work in Utah or New York.

However, I do think that we can learn from the innovation of states and take away from those experiences an acknowledgment of the need for building new partnerships between the Federal and state governments and the tremendous good that can come from better teamwork between the two levels of government.

RESPONSES TO QUESTIONS FROM SENATOR JEFFORDS

Question: We all agree that a Medicare prescription drug benefit is a top priority for you and for the Members of this Committee, no matter what their party affiliation. Do you agree that the solution to this problem lies in bipartisan cooperation, and can you assure us that you will be responsive to both Democrats and Republicans on the Committee as we try to reach a solution?

Answer: Absolutely. It is vital that we all work together if we are going to achieve solutions to some of the challenges we, as a nation, face. I know that both sides of the aisle have devoted a great deal of time and energy studying ways to provide all seniors with access to prescription drugs. It is time for us to take the next bold steps and work together in a bipartisan spirit to pass a prescription drug benefit.

I look forward to working with you and all the Senators in an effort to develop a Medicare reform package with a prescription drug benefit of which we could all be proud.

Question: Can you assure us that you will continue to defend the approval of the Vermont waiver amendment?

Answer: The approval by my successor of the Vermont Section 1115 waiver was controversial because it was an unorthodox use of the 1115 process. As a matter of practice, I support the waiver process because it gives states more flexibility in running their Medicaid programs to meet the needs of their citizens. I believe states should have the flexibility to innovate and develop programs that meet these needs in a manner that is efficient and cost-effective. However, given that the Vermont waiver was a controversial use of the waiver process, I will be vigilant in reviewing its efficacy to ensure that the intended purpose is achieved.

Question: I am told it can take anywhere from 15 months to 5 years or longer for HCFA to approve new medical technologies. Will you work with me and other Members of the Committee to examine ways to expedite and streamline this process administratively and legislatively if necessary?

Answer: Yes. I too am concerned about the complex processes that overload HCFA and decrease access to the benefits of the advances in medicine and technology. I

look forward to working with you to examine and propose solutions in order to streamline this process to meet the health care needs of our Medicare beneficiaries.

Question: HCFA seems more comfortable in its role of regulating providers than manufacturers of medical technologies, biotech, and pharmaceuticals. What will you do to foster a more collaborative relationship?

Answer: One of my top priorities is to examine HCFA's mission, and seek ways to make it more responsive and efficient in all areas.

Examination of HCFA's role in the regulation of manufacturers of medical technologies, biotech, and pharmaceuticals is part of my plan to address HCFA's mission, competing demands, and available resources. We need to assure that HCFA has the tools it needs to succeed. I will work with all those called to action to achieve consistency and effectiveness in HCFA's regulatory process.

Question: If delays in HCFA's approval process result from a lack of stakeholder input. What would you do to foster a more collaborative relationship between this sector and HCFA?

Answer: One of my highest priorities as Secretary will be to make sure all parts of the Department—including HCFA—place the highest priority on serving its many constituents—families, children, seniors, patients, the disabled, providers, Congress, and states.

If the delays in HCFA's approval process are a result of little or no stakeholder input and a more collaborative relationship between the stakeholder and HCFA would improve processes, I think increasing collaboration between the stakeholder and HCFA should be pursued seriously. I will work with all those called to action to achieve more effectiveness in HCFA's approval process.

Question: We have created a variety of special payment programs within Medicare designed to compensate rural hospitals and health care providers fairly, respecting the unique challenges of limited access and low volumes, and the crucial economic roles that these providers play in their communities. Given concerns about the effectiveness and cost of these programs, are you committed to ensuring the survival of our nation's health care system in rural America? And what ideas do you have about how can we do this more effectively and efficiently?

Answer: I, too, am concerned with the state of rural health care in America. Nowhere is this disparity more prevalent than in our reimbursement for Medicare services. This disparity points to the need for a modernized Medicare program that responds to the needs of today's beneficiaries. The issue of how to compensate providers adequately and fairly in rural areas will be on of my top priorities in this process.

In Wisconsin, we began reconfiguring Critical Access Hospitals to specialize in emergency care. That way, rural hospitals can handle the first few hours of a life-threatening injury and then transfer patients to larger regional medical facilities that have more staff and equipment. This has helped to ensure the continued viability of these rural hospitals. I look forward to working with you and other Members of Congress who are from rural areas to ensure that any plans that go forward contain solutions to your concerns.

Question: At the conclusion of the last session of Congress, legislation allowing for better reimbursement for telemedicine was passed and signed by the President as part of the Medicare, Medicaid, and S-CHIP Benefits Improvement and Protection Act of 2000. We have passed telemedicine legislation out of this Committee in the past that, after rulemaking, ended up doing little to encourage the use of this technology and the fulfillment of its promise. Can you assure us that you will be committed to ensuring the full and timely implementation of the telehealth legislation?

Answer: We must look at all newly emerging technologies available to us to improve the access to quality health care for all Americans. I can assure you of my commitment to work with Congress and the department to ensure implementation of health care legislation. I look forward to working with you on any upcoming telehealth legislation as well as implementation of the telemedicine provision in the Medicare, Medicaid, and S-CHIP Benefits Improvement and Protection Act of 2000.

Question: When the welfare reform legislation was passed in 1996, cuts were made in the Title XX, Social Services Block Grant, with the agreement that the funds would be restored over time and that states would be allowed to transfer 10 percent of their TANF funds into the program to "make up the difference." Since that time, Title XX has repeatedly been cut, and the transfer amount was cut by more than half. Is the Social Services Block Grant an important part of welfare reform and helping low-income working people stay off welfare?

Answer: SSBG is an important source of funding for critical social programs that help low-income families stay off welfare. As you know, the Transportation Equity Act for the 21st Century lowered the transfer cap from TANF to SSBG to 4.25 percent from 10 percent beginning in fiscal year 2001. I was pleased to see that in the

fiscal year 2001 Labor-HHS appropriations bill, Congress included language that restored the transfer levels to 10 percent. As a former Governor, I recognize how important SSBG is as a source of funding for programs for children, families and the elderly, including child care, child welfare and protective services.

Question: The welfare reform block grant was constructed to allow states to reserve any savings realized through their reform efforts in order to meet the state's welfare needs during times of economic downturn. Several times over the past few years, efforts have been made to use these reserve funds to meet other obligations in the Federal budget. Last year Representative Nancy Johnson sent a letter to all the Governors urging them to spend down their TANF reserve funds, so that Congress would not be tempted to spend those funds elsewhere or reduce the state TANF block grant during the 2002 reauthorization. How important is it for states to be able to hold TANF funds in reserve?

Answer: In 1996 an historic arrangement between the Federal Government and the states was established. Welfare reform guaranteed states a fixed funding level in exchange for states agreeing to assume primary responsibility for the programs and providing states the flexibility to design programs and services for families that allows them to meet the unique needs of the people they serve. As Governor of Wisconsin, I witnessed firsthand the dramatic results of this approach. Some states have made the prudent decision that it is in the best interest of their citizens to hold TANF funds in reserve in the event of an economic downturn. I fully support state flexibility in this area. Together, the Federal Government and state governments have achieved tremendous success and now is not the time to rescind the agreement we reached in 1996.

Question: President-elect Bush, as part of his "New Freedom" initiative for people with disabilities, promised full funding and support for the ticket to Work and Work Incentives Improvement Act of 2000 (TWWIIA, P.L. 106-170). Since TWWIIA was enacted in 1999, eight states (Alaska, California, Maine, Minnesota, Nebraska, Oregon, South Carolina and Wisconsin) have enacted new Medicaid buy-in programs that allow people with severe disabilities to work without losing their health care coverage. Another 5 states (Arkansas, Connecticut, Iowa, Mississippi and Vermont) are awaiting HCFA approval of their buy-in programs. Four additional states (Illinois, New Jersey, New Mexico and Wyoming) are close to submitting their plans for approval. Are there steps you can take to encourage more states to push ahead with these buy-in programs?

Answer: First, let me commend your leadership on this important piece of legislation. The Ticket to Work goes a long way in giving individuals with disabilities the incentive to work as well as the security of health care coverage. I am very encouraged by the tremendous state interest in this new Medicaid option in the short time since it was enacted, but much more needs to be done to encourage all of the remaining states to take up the option. The President's New Freedom Initiative provides funding as well as support for programs to ensure that every American has the opportunity to realize the American dream. As Secretary, I will use my bully pulpit as a former Governor as well as the new Secretary of Health and Human Services to make sure that each state is given every encouragement and technical assistance to fully understand and appreciate the choices they have under this legislation and the importance of giving every American the opportunity to work.

Question: As Secretary will you work with us to create greater flexibility in the Medicaid program so that states can more easily replicate the Program of Assertive Community Treatment (PACT)?

Answer: As I am sure you know, I always believe that more flexibility for states should be part of the answer—providing that states are held accountable to high standards set by the Federal Government.

I am proud to say that the Wisconsin Assertive Community Program (PACT) is the longest operating program in the Nation under the Assertive Community Treatment model (ACT). Under this model chronically mentally ill Wisconsinites receive a wide range of treatment, rehabilitation and support services in the community in which they live and work. The program is unique in that it provides coordinated care and a wide range of treatment, rehabilitation and support services through an identified treatment program and staff to ensure ongoing therapeutic involvement and individualized treatment.

RESPONSES TO QUESTIONS FROM SENATOR SNOWE

Question: Currently, the co-payment for Medicare part B outpatient services is 20 percent. However, the co-payment for mental health services is substantially higher, at 50 percent. What is your reaction to this disparity between Medicare's coverage

for physical and mental health services, and do you think that it should be corrected?

Answer: The disparities between physical and mental health co-payments that you cite are a clear indication of the need for fundamental reform and a modernization of the Medicare program. One of the goals of our reform effort should be simple, equitable treatment of services covered by the Medicare program. I look forward to working with you on this and other issues that will be involved in our discussions of Medicare Reform.

Question: Governor, I am sure that you have a lot of experience with the CSBG and Community Action Agencies through your work in Wisconsin. Can you assure me that you will work with Congress in order to make certain that the CSBG is funded at a level appropriate to meet the needs of this program?

Answer: As you know I am strongly committed to CSBG and Community Action Agencies. I will be taking a close look at the funding for this program as we move forward to develop this year's budget. And I look forward to working closely with you on this issue.

RESPONSES TO QUESTIONS FROM SENATOR ROCKEFELLER

Question 1: You gave the following quote to the NYT in 1997: "I have debated conservatives who think welfare reform is going to save money, and I have told them that changing a system from dependence to independence is going to cost more, because you have to put money into child care and into job training and medical care and transportation."

I voted for the welfare reform bill, but I strongly believe in investing in child care, job training, medical care, and transportation as well. Will you work with me and others to maintain funding for such critical work supports to maintain the progress of welfare reform?

Answer: I have always said that for welfare reform to be successful, you have to make an investment up front. It can't be done on the cheap. There are savings for taxpayers though. But those savings to taxpayers—and they are substantial—come on the back end as public caseloads decline. We must work to help those families who have successfully moved into the workforce continue to move up the ladder of economic success. As I discussed in my hearing, there are several components that are vital to the success of Wisconsin Works (W-2), and I believe any welfare reform effort. Mothers who are going to work must have access to healthcare, to safe childcare, to job training and transportation. I look forward to working with you on these issues.

Question: How can we do a better job to ensure that parents and children are not dropped from Medicaid as families move from welfare to work?

Answer: Ensuring that all parents and children have access to health insurance will be a priority for me as Secretary of HHS. We also have a special duty to help families who have moved from welfare to work and provide them necessary support, including access to health care. We should work with and give states flexibility in developing mechanisms to ensure that families moving from welfare to work retain Medicaid and are not losing their health insurance coverage. The Federal Government should hold states accountable for ensuring this continued coverage as required by law. I look forward to working with you to develop some real, lasting answers to this question.

Question 2: During the campaign, Governor Bush called for a \$1 billion increase in prevention services for abused and neglected children. I have worked for years in a bipartisan manner for such investments, starting in 1993 with Senator Bond. In 1997, we enacted the Adoption and Safe Families Act, including new investment in prevention. Will you aggressively work to deliver on this promise?

Answer: As you know, during the campaign President Bush unveiled his "Strong Families, Safe Children" proposal to improve child welfare services and aid adoptions. He called for a number of reforms to "ensure that every child lives in a secure, permanent and loving family." I want to commend you for the many years you have worked so diligently toward the same goal. I look forward to working with you on this issue as we formulate our budget for fiscal year 2002 and prepare for the upcoming reauthorization of the Promoting Safe and Stable Families program.

Question 3: In 1998, Senator Jeffords and I added a provision to create an advisory panel on medical child support. In June 2000, HHS and Labor issued the report of the unanimous recommendations of this advisory panel covering outreach, administrative action and legislative recommendations. Please provide me with a detailed description of progress made on implementation of the HHS-DOL Medical Child Support Working Group's report—*21 Million Children's Health: Our Shared Respon-*

sibility. I would also appreciate your views on ways to move forward with bipartisan legislation based on this report.

Answer: I am aware that the medical support advisory panel put forth many recommendations for improving medical support order enforcement and access to health care coverage for children eligible to receive child support enforcement services. I will take a close look at these recommendations before determining how to proceed. I look forward to working with you on moving forward to help more children have access to the health care coverage they need and deserve.

Question 4: Wisconsin has been a leader in the areas of providing child support payment to families on welfare, first. Wisconsin has reported impressive results for child support collection and families thanks to this policy. Given your success would you work in a bipartisan manner with Finance Committee Members to promote child support legislation sponsored by Senator Snowe and others, that is based on the Wisconsin model?

Answer: As you note, we have worked extensively on this issue in Wisconsin, and our collections are up dramatically. I made it high priority in the state, and I intend to make it a high priority here. I hope that now we can work together on this at the national level. I agree that it is important we act aggressively to find ways to make absent parents pay child support. I also believe that we must be careful not to place any new mandates on states, but instead set high goals and reward positive results. Within this framework I would take a careful look at any new legislation on child support, and I look forward to working with you on this.

Question 5: Because accountability is so crucial in protecting children in foster care and preventing abuse and neglect, I believe that restoring the Federal review of state child welfare systems is critical. Will you aggressively implement the new review system and provide a specific timetable of reviews scheduled, and regular follow up reports?

Answer: The Bush Administration believes that every child deserves to live in a safe, permanent and loving family. The Federal-state child welfare system has failed to achieve this. The current system does too little to support and preserve families. At the same time, once children are placed outside the home, the system too often leaves them languishing in foster care or other temporary living arrangements for months or years. The result is that countless children are growing up without the stability they need to fulfill their dreams. I share your belief that accountability is crucial in protecting children in foster care and preventing abuse and neglect. The final rule on the monitoring of child welfare programs published by HHS last year was a major milestone in furthering our shared commitment to protecting children from abuse and neglect and promoting the well-being of all children and families served by the child welfare system. The plans are already in place for implementing the new review system and I will be happy to provide the Committee with a specific timetable of reviews scheduled as soon as possible.

RESPONSE TO A QUESTION FROM SENATOR BREAU

Medicaid

Question: What are your thoughts on how to ensure that eligible families do not lose these vital health care benefits?

Answer: Ensuring that all parents and children have access to health insurance will be a priority for me as Secretary of HHS. We also have a special duty to help families who have moved from welfare to work and provide them necessary support including access to health care. We should work with and give states flexibility in developing mechanisms to ensure that families moving from welfare to work retain Medicaid and are not losing their health insurance coverage. The Federal Government should hold states accountable for ensuring this continued coverage as required by law. I look forward to working with you to develop some real, lasting answers to this question.

RESPONSES TO QUESTIONS FROM SENATOR TORRICELLI

Question 1: Prospective D.S.H. Payments for New Jersey Hospitals. Can I receive an assurance that you and your staff will begin an immediate dialog with myself and the New Jersey hospital industry to develop a solution to this inequity?

Answer: As you and I have already discussed, Senator, I am well aware of this issue through my experience in Wisconsin. I know that this is a challenging issue we face, and I assure you my door will always be open to discuss issues of concern to States and their constituents.

Question 2: I would be interested in your thoughts on: (1) how existing state programs for low-income seniors could fit into a Federal drug benefit?, and (2) how can we ensure that price controls do not threaten cutting-edge research?

Answer: The President and I support modernizing the Medicare system so that every senior has access to a Medicare plan with a prescription drug benefit and I am committed to working with you and all of the other Senators in coming up with a reform of Medicare with a prescription drug benefit of which we can all be proud. I share your support of State prescription drug programs. State programs are vitally important and are helping to provide some access to prescription drugs to low-income seniors. The President's Immediate Helping Hand proposal strengthens and builds on current state programs. I believe they will continue to play a vital role. I agree that we must ensure that a new prescription drug program is not built around price controls. We must be careful not to do anything that would threaten the very research that leads to new miracle drugs for not only seniors, but all Americans.

Question 3: I understand that this proposal has raised concerns about cost, but I would like your thoughts about the argument that up-front costs would be offset by future savings from fewer hospitalizations and other treatment costs?

Answer: In reference to welfare reform, I have long said that for reform to be successful, you have to make an investment up front and that savings will come on the back end. This may also hold true for up front investments in preventative health care. I look forward to working you and other Members of Congress to examine this issue in further detail.

Question 4: How would you guarantee state Medicaid agencies comply with the Federal law requiring lead screening for Medicaid recipients under age two?

Answer: The Federal Government should work with states to assure their compliance with Federal Medicaid law. We should partner with states and give them flexibility to determine how best to conduct lead screening in their states and hold them accountable. If states do not measure up, then the Federal Government should step in.

Question 5: Would you maintain HCFA's support for testing environmental samples such as soil, water, and paint chips to determine the cause of a child's lead poisoning?

Would you work with OMB to ensure that expenses for the analysis of environmental samples are covered by Medicaid?

Answer: The issue of child lead poisoning is an important public health concern but one that I believe would be more appropriately addressed by our public health programs rather than Medicaid, which provides direct services to low-income families. I look forward to working with you to ensure that our children receive appropriate treatment for lead poisoning and other environmental health problems.

RESPONSES TO QUESTIONS FROM SENATOR LINCOLN

Question 1: On a comparative basis to other agencies within the Department of Health and Human Services, the Administration on Aging (AoA) lacks an adequate personnel infrastructure to administer its programs and be proactive on behalf of older Americans. How can you assure me that you will examine this issue early in your term and redirect additional resources to AoA, especially in the first year of administering the new National Family Caregivers Program?

Answer: I appreciate and share your concerns regarding the issues surrounding the aging of our population. I look forward to working with you to improve supports for senior citizens. I promise you I will be reviewing the budget and the structure of the Administration on Aging, as well as every agency at the Department of Health and Human Services, as we begin the process of preparing a budget and legislative agenda for fiscal year 2002.

Question 2: How do you intend to make the Administration on Aging an advocate for our nation's seniors?

Answer: I believe the Administration on Aging (AoA) is the Federal focal point and advocate agency for older persons and their concerns. In this role, AoA works to heighten awareness among other Federal agencies, organizations, groups, and the public about the valuable contributions that older Americans make to the Nation and alerts them to the needs of vulnerable older people. Through information and referral and outreach efforts at the community level, AoA seeks to educate older people and their caregivers about the benefits and services available to help them.

AoA works closely with its nationwide network of regional offices and state and area agencies on aging to plan, coordinate, and develop community-level systems of services that meet the unique needs of individual older persons and their caregivers. AoA collaborates with Federal agencies, national organizations, and representatives

of business to ensure that, whenever possible, their programs and resources are targeted to the elderly and coordinated with those of the network on aging.

AOA administers key programs at the Federal level mandated under various titles of the Older Americans Act. These programs help vulnerable older persons to remain in their own homes by providing supportive services. Other programs offer opportunities for older Americans to enhance their health and to be active contributors to their families, communities, and the nation through employment and volunteer programs.

Question 3: What plans, if any, do you have any special plans to highlight the needs of women's health?

Answer: Addressing the needs of women's health is an issue that is important to me, based in part on my own personal experience, and in part on my wife's successful efforts to raise awareness of this issue in Wisconsin through the Wisconsin Women's Health Foundation.

There are a number of on-going initiatives at HHS which address women's health issues. I plan thoroughly review all of these activities to ensure that we are focusing our efforts to have the most impact.

Question 4: Nearly half of the children enrolled in the ARKids program are eligible for Medicaid. As a result Medicaid-eligible children receive fewer services and their parents must pay fees for services. How will you address this issue as Secretary of HHS?

Answer: One of our top priorities must be providing better access to quality, affordable health coverage for all Americans. As I am sure you are aware, the SCHIP was designed to give states flexibility in designing programs that would reach as many children as possible. In addressing this issue as Secretary at HHS, I would like to ensure that children have health insurance coverage and that states have the flexibility to provide coverage in an efficient and cost-effective manner. I look forward to working with you and the state in ensuring access to health insurance for all of the children in the state of Arkansas.

RESPONSES TO QUESTIONS FROM SENATOR GRAHAM

Question 1: Governor Thompson, the Medicare program spent about \$220 billion in 2000 providing important health care benefits to almost 40 million beneficiaries. The size and responsibilities of this Federal program demands that oversight and administration continue to be conducted by an entity that is accountable to the Federal executive and legislative branches. I believe the Health Care Financing Administration is the appropriate entity for this role, but must be given the authority to better manage the Medicare program.

On the other hand, some believe oversight authority of the Medicare program should be removed from HCFA, or even from HHS entirely. As Secretary of HHS, would you support preserving the role of Secretary of HHS in having authority over the Medicare program? Or would you support giving authority over the Medicare Program to a new entity.

Answer: I think we all agree that reform of HCFA is long overdue. At the same time, I believe that HCFA faces tremendous demands and challenges as an agency administering a budget estimated to reach \$340 billion in fiscal year 2001 and providing health care for more than 70 million Americans.

But I am also aware that patients and providers alike are fed up with excessive and complex paperwork. Rules are constantly changing. Complexity is overloading the system, criminalizing honest mistakes and driving doctors, nurses and other health care professionals out of the program.

I believe HCFA needs a thorough examination of its mission, the competing demands, and available resources. I intend to make that one of my top priorities. We need to ensure that HCFA has the tools it needs to succeed and serve the American people.

Question 2: Will you work with me to provide new authorities to increase HCFA's ability to effectively manage the program?

Answer: One of my highest priorities as Secretary will be to make sure that we address the efficiency and responsiveness of the HCFA. We must start, however, with the recognition that HCFA's role has been continually expanded over the last several years, charged with administering increasingly complex programs. HCFA faces tremendous demands and challenges as an agency, administering a budget estimated to reach well over \$350 billion in fiscal year 2001 to provide health care for more than 70 million Americans.

HCFA needs a thorough examination of its mission, the competing demands, and the available resources. We need to assure that HCFA has the tools it needs to succeed.

Question 3: Do you support a defined Medicare benefit? That is, do you believe the government should pay for a defined set of benefits, or make a defined contribution toward the purchase of a plan?

Answer: I believe we need to modernize the Medicare Program—today, not 10 years from now. I think the National Bipartisan Commission on the Future of Medicare made significant progress in addressing this issue. The Commission recommends specifying in law a standard benefits package consisting of all services covered under the existing Medicare statute. A Medicare Board would approve benefit offers and could allow variation within a limited range provided the Board was satisfied that the overall valuation of the package would be consistent with statutory objectives and would not lead to adverse or unfavorable risk selection problems in the Medicare market. I believe this is a good place for us to start.

Question 4: I believe it is critical that any prescription drug benefit meet certain fundamental principles. Last Year I introduced a bill with several other members of this Committee (Baucus, Jeffords, Conrad, Lincoln, Rockefeller) that is based on these principles—namely, the benefit must be an integral part of the Medicare program, it must be defined, and it must be affordable. Will you commit to supporting a prescription drug benefit that is an integral part of the Medicare program. Would you support a defined benefit, as opposed to a benefit that is based on an “actuarial value?” How would you control costs, while ensuring the benefit is affordable and meaningful for all beneficiaries?

Answer: The President and I support modernizing the Medicare program so that every senior has access to a Medicare plan with a prescription drug benefit. Ninety-eight percent of the health plans offered in this country have some kind of prescription drug benefit. And so should Medicare.

Our Medicare modernization plan is based on the highly successful Federal Employees Health Benefit Program where Members of Congress and their staff have a wide range of plans from which to choose. Every single one has a prescription drug benefit.

We must modernize the Medicare program so that seniors have access to prescription drugs. I look forward to working with you and your staff to achieve this important objective.

Question 5: Are you aware that HCFA issued a proposed Regulation last fall that would establish a new framework for Medicare payment for ambulance services? What do you believe will be the impact of this proposed regulation on Medicare beneficiaries? I would urge you to thoroughly review the proposed regulation and make certain that it does not harm the critical 911 emergency services safety net which currently exists throughout the nation.

Answer: Yes, I am aware of the proposed regulation that establishes a fee schedule for payment of ambulance services. I will be reviewing this proposed regulation especially with regard to access to care and the 911 emergency services safety net. I look forward to discussing with you further your thoughts and concerns regarding this proposed rule and how we can ensure that the final rule will meet the health care needs of all Medicare beneficiaries with regard to safe and adequate emergency services.

Question 6: When welfare was reformed in 1996, given its size and the number of low income families, my state received substantially fewer Federal TANF dollars than Wisconsin. To put this in very concrete terms, Florida received \$839 per poor child in fiscal year 2000 in its basic TANF grant, while Wisconsin received \$1940. In other words, Florida received less than one-half of the Federal dollars your state of Wisconsin received per poor child.

In recognition of the disparity, a compromise amendment in 1996 provided additional funds to 17 states like mine—including Texas—so we would get a bit closer to parity in terms of resources available to states to reform welfare. Including the supplemental grant, Florida received \$930 per poor child in 2000. In spite of the fact that we had significantly fewer resources to provide employment training and critical work supports such as child care subsidies, the expectations for what my state could accomplish under welfare reform were not different than the expectations for Wisconsin.

The supplemental grants are due to expire in fiscal year 2002, which means some states may have to reduce spending on programs to help people move from welfare to work. Governor, would you support extending these supplemental grants for 2002 and reserving monies in the baseline for these grants? A 1-year extension would allow us to reexamine this equity issue along with others when TANF is reauthorized in 2002. I would urge that your budget include monies for this.

Answer: Reauthorization of the Supplemental Grants is an issue that will require careful consideration. I look forward to working with Congress as we move to con-

sider the reauthorization of the entire TANF program, including the Supplemental Grants.

Question 7: The 107th Congress will be faced with the task of reauthorizing the 1996 welfare reform law. We are aware of the innovative work that you have done through the "Wisconsin Works" program, and continue to do to help people move from welfare to work. Though caseloads have dropped dramatically, there is a great deal left to be done to ensure that people keep their jobs and move up the employment ladder.

For example, one of the biggest problems facing America's working families today is the cost and scarcity of high-quality child care. In a 1997 Heritage Foundation lecture, you were quoted as saying: "The solution (to moving families from welfare to work) was developing meaningful programs that could support (families) in their struggle for independence—programs such as child care, health care, job search assistance, and transportation." Many of us here would agree with this statement and believe that Federal Government and the states have an obligation to provide these very important, admittedly expensive, supports to families moving from welfare to work and those who are working with the hopes of moving up the employment ladder.

As we look toward reauthorizing the TANF program in 2002, the Secretary of HHS will have to carefully consider how to ensure the program's continuing success. As Secretary, will you work to support policies including maintaining the basic \$16 billion in annual TANF funding for another 6 years, fiscal year 2003–2003? Will you work with Congress to ensure that ALL states have the support to provide current and former TANF recipients with tools such as health care, child care and transportation vouchers to ensure that their transition to work is a permanent one?

Answer: As you know, I am passionate about welfare reform.

In 2002 we will have to consider the next steps in the process. While welfare reform has been enormously successful in moving families from dependence to independence, we still face many challenges. There are still families receiving direct benefits. As you know, these are often the people with significant health problems or people struggling with substance abuse.

But we must also work to help those families who have successfully moved into the workforce continue to move up the ladder of economic success. As I discussed in my hearing, there are several components that are vital to the success of Wisconsin Works (W-2), and I believe any welfare reform effort. Mothers who are going to work must have access to healthcare, to safe childcare, to job training and transportation.

I've always said that for welfare reform to be successful, you have to make an investment up front. It can't be done on the cheap. The savings to taxpayers—and they are substantial savings—come on the backend as public caseloads decline. Perhaps nowhere has the public payoff for a taxpayer investment been more evident than in the fundamental changes we have made to the welfare system in this country.

Another important step is to sound the call to recruit what President Bush has called the "armies of compassion." Faith-based communities are closest to those who have the most need of government services. Serving these communities is a responsibility that can and should be shared to reach the greatest number of people in the most compassionate and effective way. Many of these efforts are not just about offering a program or service but about transforming lives.

Question 8: For the past few years I, along with Senators Grassley, Jeffords, Rockefeller and many of our colleagues in the Senate and the House have been fighting to restore the draconian cuts that were made to the Social Services Block Grant in 1998.

As Governor of Wisconsin, you worked by our side to push to bring SSBG back to its full funding level of \$2.38 and to restore the 10 percent transfer as promised in the 1996 welfare law. You are well aware of the fact that Title XX funds support needed services for children and families in crisis. The block grant has also been one of the only funding sources available for community-based services for elderly and disabled persons. It is also an important source of funding for fighting child abuse and neglect. Finally, SSBG is a flexible funding source that allows states and local communities to apply the funds to those most in need in their areas.

If efforts are not made to restore these necessary social services dollars, vulnerable children, families, elderly, and disabled persons will be without the services they need to live independently. I believe that cutting funding for services that keep people in their communities and out of expensive institutions such as hospitals and nursing homes is short sighted and has and will continue to lead to unnecessary suffering as well as increased spending in other Federal programs.

Governor Thompson, can we have your commitment that you will support full funding of SSBG at the \$2.38 billion level, as agreed upon in the 1996 welfare law and will you insist upon its inclusion in the Administration's budget for fiscal year 2002? Further, will you support efforts to bring SSBG back to \$2.8 billion in fiscal year 2003 and beyond, as mandated in the 1996 welfare bill?

Answer: SSBG is an important source of funding for critical social programs that help eliminate dependency, help families achieve or maintain self-sufficiency, and help prevent neglect, abuse or exploitation of children and adults. SSBG also increases state and local flexibility in managing Federal funds and enables states to target social services to those populations most in need. I am strongly committed to these goals and can assure you I will be taking a close look at the funding for this program as we move forward to develop this year's budget request to Congress. I look forward to working with you to ensure the continued success of this important program.

Question 9: What expansions in the CHIP program would you encourage the president to endorse? Do you believe that is appropriate for the Congress and the Administration to ensure that certain standards, which are required by law, are upheld by states?

In the case of a program like CHIP, do you think that it is legitimate for Congress to set standards for the allowable use Federal funds, or do believe that states should have ultimate discretion to use those funds for any kind health care coverage?

Answer: I believe that expansions of CHIP and Medicaid are important components of meeting the challenge of the uninsured. Reducing the number of uninsured is one of my top priorities. I believe states should be given increased flexibility to expand these programs to allow for the coverage of entire families. These expansions should meet high standards and should be efficient and cost-effective. In exchange for increased flexibility, the Federal Government should hold states accountable and step in when states are not measuring up to expectations, including with penalties. However, before leveling sanctions, I would like to work with states when they do not measure to find out if we can assist them in their efforts. The Federal Government plays an important in overseeing this and other Federal programs and the use of the Federal taxpayer dollars.

Question 10: As Secretary of HHS, will you join me, and the scores of Republican and Democrat Governors, Senators and Congressmen in ensuring that states have the option of providing these fundamental services to the children and pregnant women of post-1996 legal immigrant families?

Answer: Reducing the number of uninsured will be one of my top priorities as the Secretary of HHS. I also believe states should be given flexibility in developing their CHIP and Medicaid programs in a manner that is efficient and cost-effective to meet their unmet need. I look forward to working with you, other Members of Congress and states in improving access to health coverage.

Question 11: What do you propose to do as Secretary to make sure that every Medicaid-eligible household actually receives the benefits to which it is entitled?

Answer: Ensuring that all parents and children have access to health insurance will be a priority for me as Secretary of HHS. We also have a duty to help families who have moved from welfare to work and provide them necessary support including access to health care. We should work with and give states flexibility in developing mechanisms to ensure that families moving from welfare to work retain Medicaid and are not losing their health insurance coverage. The Federal Government should hold states accountable for ensuring this continued coverage as required by law. If states do not measure up, then the Federal Government should step in.

Question 12: Can you provide us with more information on how you would draw a line between appropriate and inappropriate Medicaid and CHIP waivers. Given that waivers essentially allow states to disregard the Federal law as have written it, how will you consult with us to make sure that they are being used appropriately?

Answer: Medicaid and CHIP waivers are an important tool in providing states with increased flexibility to develop efficient and cost-effective programs to expand access to health insurance. These programs should be held to high standards and in exchange for increased flexibility, states should be held accountable. In Wisconsin, we used waiver authority to develop BadgerCare, a new approach to addressing the challenge of uninsurance. I believe appropriate waivers of Medicaid and SCHIP will enable states to innovate and implement common sense measures to increase the affordability and availability of health insurance for children and entire families. Waivers should be used to meet states' unmet needs. I look forward to working with you, other Members of Congress and states as HHS moves forward in considering these waivers. I would be happy to brief you and other members on the status and progress of waivers as we move forward.

Question 13: As you know, the individual health insurance market is one of the least efficient markets in the United States economy. Administrative costs are staggeringly high. Medical underwriting confronts those most in need of insurance with the highest premiums or complete unavailability of insurance.

In light of these well known, generally acknowledged problems, what practical benefit do you anticipate from encouraging individuals to shop for insurance outside of employer groups?

Rather than designing a policy that encourages low income people to buy individual insurance by offering potentially inadequate tax credits that would suffice only to cover part of the cost of inferior coverage, would it not be preferable to create a policy that combines tax credits to employers to cover their employees with CHIP and Medicaid expansions, which enjoyed bipartisan support in the Senate last year?

Answer: Addressing the problem of the uninsured will be a top priority for me as Secretary of HHS and we are considering a number of proposals to increase the affordability and availability of health insurance coverage to families including supporting small employers to band together to enjoy the same economies of scale as larger employers. The Administration has also proposed tax credits to low-income families to assist them in purchasing private health coverage as well as allowing families to buy into state Medicaid programs and giving them credit. We also believe that states should be given increased flexibility under CHIP to develop programs to expand health insurance coverage for entire families. These are just a few ideas and I look forward to your input on these proposals as well working with you on other proposals that will improve access to health insurance.

COMMUNICATIONS



Liberty Place, Suite 700
325 Seventh Street, NW
Washington, DC 20004-2892

(202) 638-1100 Phone
www.aha.org

January 17, 2001

The Honorable Max Baucus
United States Senate
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Baucus:

The American Hospital Association (AHA) is pleased to support the confirmation of Wisconsin Governor Tommy G. Thompson as Secretary of the U.S. Department of Health and Human Services (HHS). Secretary-designate Thompson has an advanced understanding of health and social service matters, and we believe that his leadership at HHS will be of benefit to the AHA's nearly 5,000 member hospitals, health care systems, networks and other providers of health care, and the patients and communities they serve.

During his long tenure as governor of Wisconsin, Thompson demonstrated a keen ability to craft as well as implement creative solutions to our society's more difficult problems. AHA welcomes the prospect of working closely with the Secretary-designate, and with Congress and the new Administration, on the many challenges that face America's health care system.

We urge you to confirm Gov. Thompson as HHS Secretary swiftly, so this work can begin immediately.

Sincerely,

Rick Pollack
Executive Vice President



January 18, 2001

Honorable Charles Grassley
Chairman
Senate Finance Committee
United States Senate

Honorable Max Baucus
Ranking Minority Member
Senate Finance Committee
United States Senate

Honorable Blanche Lincoln
Member
Senate Finance Committee
United States Senate

Dear Chairman Grassley, Senator Baucus and Senator Lincoln:

The National Association of Nutrition and Aging Services Programs (NANASP), representing those who provide congregate and home delivered meal programs for the elderly in your state and across the nation, wishes to indicate its support for the nomination of Governor Tommy Thompson of Wisconsin to the Secretary of the Department of Health and Human Services.

NANASP is the largest professional membership organization representing the interests of members of all levels of the aging network, dedicated to providing a broad range of quality nutrition and other direct services for community-dwelling older Americans.

We base our support on the Governor's strong and positive record on behalf of programs and services for Wisconsin's seniors. In particular, we laud his commitment of state funds to complement federal funds for nutrition programs for seniors. In fact, a published report noted that Wisconsin's state elderly nutrition efforts are the largest per capita in the nation. In fact, the state commitment of funds to elderly nutrition almost matches the federal commitment.

The two key federal programs providing nutrition services for seniors both congregate and home delivered meals are the Older Americans Act and the Social Services Block Grant. Both of these programs would be under Governor Thompson's jurisdiction once he is confirmed. His record as Governor strongly suggests that he is aware of the health and social value of nutrition programs for seniors. This would be especially important at this time since the last Congress just reauthorized the Older Americans Act for five additional years.

National Association of Nutrition and Aging Services Programs
1101 Vermont Avenue, NW, Suite 1001 • Washington, DC 20005 • (202)682-6899 • (202)682-3984 fax

In 2002 we will celebrate the 30th anniversary of the Nutrition Program for the Elderly under the Older Americans Act. It is a program which has worked well and improved the daily quality of life for millions of older Americans. The nutrition programs for the elderly will be well served by Governor Thompson who understands them and recognizes them as an important component of not only a human service system but also a community based long-term care system.

We appreciate your consideration of our views and hope his confirmation can be done expeditiously.

Sincerely,

Jan Bonine
President

Martha Peppones, R.D.
First Vice President

Congress of the United States
House of Representatives
Washington, DC 20515

January 18, 2001

The Honorable Max Baucus, Chairman
 The Honorable Charles E. Grassley, Ranking Member
 Committee on Finance
 United States Senate
 Washington, DC 20510

Dear Gentlemen:

We write today to offer our enthusiastic and wholehearted support for Governor Tommy Thompson, and respectfully urge you and the members of your committee to support his confirmation as the next Secretary of Health and Human Services of the United States.


Each of us have had the opportunity to work extensively with Tommy Thompson during the 14 years he has been governor of Wisconsin. Our first-hand experiences with him have been overwhelmingly positive, and we have found him to be a public servant of unmatched fairness, honor and dedication. Throughout his tenure he has been consistently committed to bettering the quality of life of our state and every one of its citizens, and has delivered extraordinary results toward that end.

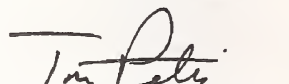
With regard to his more specific qualifications for the position in question, we believe his record speaks for itself. He has outstanding management acumen, demonstrating his expertise and prudence again and again in his administration of Wisconsin's executive agencies and their substantial associated bureaucracies. He has been extremely active in health and social policy, and has blazed a trail for the rest of the nation in those areas. Governor Thompson has, through his visionary leadership, perhaps had more influence on these policies than any other single public official over the last decade.


In short, we are the people who know Tommy Thompson best. Each of us believes that the nation would be fortunate to have him serve as the next secretary of Health and Human Services. We hope you agree.

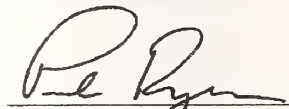
Thank you for your kind consideration.

Sincerely,


 F. James Sensenbrenner
 Member of Congress


 Thomas E. Petri
 Member of Congress


 Mark Green
 Member of Congress


 Paul Ryan
 Member of Congress

○

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